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# CURRENT HISTORY

FEBRUARY 1932

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## The Struggle for Disarmament

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By LINDSAY ROGERS

*Professor of Public Law, Columbia University*

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THE first World Disarmament Conference assembles in Geneva on Feb. 2. Few believe that it is surely headed toward success. Pessimism is general. During the League Assembly last September it was clear that several States were anxious to postpone the meeting until the political atmosphere became more favorable. Approaching elections in France, Prussia and the United States; preoccupation with reparations and frozen credits; Franco-German relations, which are responsible for a considerable part of the trouble which Europe is experiencing; the irreconcilable points of view of the "status quo" powers and those desiring a revision of the peace treaties—these are the reasons why postponement was discussed. But no State dared to take the initiative. Now that the League of Nations has demonstrated its inability, or at least unwillingness, to deal effectively with the Manchurian situation, there is less confidence in the League's ability to prevent a disturbance of the peace of Europe. There is

thus an increased unwillingness to give up the protection of unlimited armaments.

But, though the conference will be held in an atmosphere of pessimism, the peoples of the world demand relief from the ever more crushing burden of armaments. To what extent will the statesmen who did not dare postpone the conference be willing to test their peoples' earnestness by far-reaching agreements? While the peoples want reduction, the statesmen are reluctant to reduce because of what they conceive to be the unwillingness of their peoples. Here is the great paradox. Every one preaches disarmament—but disarmament by others. Yet to postpone the conference would make too striking a concession to the prevailing pessimism, and, since statesmen are always opportunistic, they hope against hope that their pessimism will prove to be unjustified.

Nevertheless, certain facts are highly encouraging. I have called the meeting the *first* World Disarmament Conference. The word is important, for if

the results should be nil—even if cleavages should become more marked—there will be future disarmament conferences. If, on the other hand, there should be successes beyond the expectations of even the most optimistic, future conferences will be held to consolidate those successes and to attempt even greater ones. The movement for disarmament has barely begun.

That all the States of the world will send plenipotentiaries to discuss methods of limitation is in itself of immense significance. There will be no delegate who will dare to say publicly that he hopes the conference will fail or that his government is unwilling to consider any form of limitation. Some may say that the organization of peace is so incomplete and so meager that certain armaments are necessary. None will deny, however, his willingness to reduce when the peace is better organized and security more effectively assured. That is a tremendous advance.

It is true that during the thirteen years which have elapsed since the armistice the nations of the world have often seemed to move toward disarmament as the pilgrims of the Middle Ages journeyed toward Compostella—by taking two steps forward and one to the rear. Despite this means of locomotion, as much distance has been traveled in the last ten years as had been traveled in the previous centuries. Only a dreamer could have anticipated in 1914 that by 1931 all the nations of the world would be pledged to disarmament and would be dealing with the problem, not by framing pious wishes but by drawing up definite plans, preparing technical studies and organizing the peace so that armed force will be less necessary. The pledges to do this were given at the Paris Peace Conference.

The fourth of President Wilson's fourteen points read as follows: "Adequate guarantees given and taken that national armaments will be reduced to the lowest point consistent

with domestic safety." The Anglo-Saxon nations were convinced that militarism had been one of the prime causes of the war, and, since the war was one to end war, limitation of armaments must necessarily follow. The Latin nations were more skeptical. They nevertheless agreed to Article VIII of the League covenant. This is the magna charta of disarmament. It reads, in part, as follows:

The members of the League recognize that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations.

The Council, taking account of the geographical situation and circumstances of each State, shall formulate plans for such reduction for the consideration and action of the several governments.

Such plans shall be subject to reconsideration and revision at least every ten years.

After these plans shall have been adopted by the several governments the limits of armaments therein fixed shall not be exceeded without the concurrence of the Council.

The covenant goes on to record the opinion of the members of the League that the evil effects attendant upon the private manufacture of munitions and implements of war should be prevented. A pledge is given that information on armaments will be fully and frankly interchanged and Article IX of the covenant contemplates the establishment of a permanent commission to advise the League Council on military and naval questions.

Disarmament is dealt with also in Part V of the Treaty of Versailles, which contains the military, naval and air clauses fixing the limits of Germany's war establishment. The preamble of this part of the treaty reads as follows: "In order to render possible the initiation of a general limitation of the armaments of all nations Germany undertakes strictly to observe the military, naval and air clauses which follow." There has been some difference of opinion as to the

juridical nature of the obligation which the covenant, Part V of the Treaty of Versailles and similar provisions in the other peace treaties impose on the allied and associated powers. The French memorandum on disarmament which was published last July emphasizes the "common action" and the "national safety," which are contemplated by Article VIII of the League covenant, and argues that there need be no disarmament until these conditions are met. The memorandum also argues that there is no obligation on the victorious States to reduce their armaments to the figures fixed by the treaties for the defeated powers. These levels were made low so that the victorious States might not again be threatened and might be in a position to reduce their establishments when "common action" was assured and "national safety" was guaranteed.

Germany, naturally, takes the other view of the matter. Her argument is that the victorious States are legally bound to reduce their armaments; that the treaty did not contemplate a permanent disparity between German forces and the forces which the victorious or succession States might have. But even if the juridical point is not clear, the political and moral aspects of the problem are obvious. There is no likelihood that France and her allies will agree to modify the clauses of the peace treaty which stipulate the size of Germany's military establishment. There is even less likelihood of an agreement for such drastic reductions that the disparity will be materially altered. Will Germany accept this situation?

Even though the United States is not a signatory of the Treaty of Versailles it has accepted the same treaty obligations as the European States. The separate treaty of peace between Germany and the United States, signed on Aug. 25, 1921, reserves for the United States all "the rights and advantages stipulated in the provi-

sions of" certain sections of the Treaty of Versailles. Among these sections Part V is expressly enumerated. Juridically it may be true that the United States can reserve to itself the advantages arising out of the disarmament clause of Part V without accepting the obligation in the preamble. Here again, even though the juridical point is not clear, the moral obligation is plain.

The provision which I have quoted from the separate treaty of peace with Germany is rarely commented on. It is frequently said that, with a considerable measure of naval limitation already achieved, the United States has only a remote interest in the conference that is meeting at Geneva. True it is that, not being engaged in an armament race with any neighbors and with a small army, the United States is less concerned than European powers with non-naval problems. But the cost of American military and air forces is high. As President Hoover has made clear, reduction is desirable on grounds of economy.

The United States, therefore, has a direct financial interest in the success of the deliberations at Geneva. It has an indirect interest in that any reduction of Europe's armament bills will increase Europe's purchasing power. It has an interest in that the success of the conference will make for European appeasement and more effective safeguards against the use of force. But the fact should not be forgotten that, apart from these considerations, the United States has a moral obligation which arises under the separate treaty of peace with Germany. It has recognized the obligation in the field of naval armament.

Immediately after the war disarmament was considered as largely a technical problem. Later its political aspects were deemed to be more important and the attack became indirect. So long as war is possible, the reasoning ran, armaments are necessary. War will be possible until means of

pacific settlement are provided and guarantees are given that the pacific means will be used. When war is impossible armaments will not be necessary and reduction can take place. This argument dominated discussions of the problem for several years. In the conference about to meet the attack will again be direct, but the problem of security will always be in the background and views will differ as to whether it has been adequately solved.

At its session on May 19, 1920, the Council of the League took steps to implement the disarmament provisions of the covenant. It set up the Permanent Advisory Commission envisaged by Article IX, but the personnel was recruited very largely from technical experts. The achievements of this commission were nil. As has been said, it was as vain to hope for limitation proposals from representatives of general staffs as it would have been to expect an assembly of clergymen to propose effective means of combating religion. The futility was early apparent and the 1920 Assembly of the League of Nations instructed the Council to set up a new commission composed of persons possessing competence in political, social and economic matters. In accordance with this resolution, the Council on Feb. 25, 1921, created the Temporary Mixed Commission, which functioned until the end of 1924.

Meanwhile, at Washington during the Winter of 1921-22 a real step was taken in the direction of limitation. Great Britain and the United States agreed to parity in capital ships. Japan accepted limitation and France and Italy agreed to capital ship parity at a lower level. The Washington conference ended naval rivalry in battleships between Great Britain and the United States. But the price of Mr. Hughes's success in the matter of capital ships was complete lack of success in other categories. The conference, moreover, laid up troubles for the future by giving Italy parity with France, and the methods of the con-

ference, while successful at the time, had ill effects. These methods made France suspicious of future conferences and antagonistic to *coups de théâtre* in diplomacy.

So spectacular was the result in regard to battleships that attention was distracted from the genuine political achievements of the conference. Indeed, it may be said that without these political achievements battleship limitation would have been impossible. The Anglo-Japanese alliance was abandoned. It was covered by the winding shroud of the Nine Power Pacific Treaty, which, signed by the States with interests in the Pacific, pledged them to "respect the sovereignty, the independence and the territorial and administrative integrity of China." The second political result of the Washington conference was the Four-Power Treaty between the United States, Great Britain, France and Japan, who agreed "as between themselves to respect their rights in relation to their insular possessions and insular dominions in the region of the Pacific." Both treaties provided for frank communication between the contracting parties in case violations were threatened. In the Pacific area, therefore, the United States has entered into consultative pacts and pledges for the consideration of joint action. Without these political agreements the Washington treaties on battleship limitation would hardly have been possible.

The next step in Europe was a scheme proposed by Lord Esher that continental armies be gradually reduced by applying ratios somewhat on the Washington model. In the absence of prior political agreement the proposal had no chance of acceptance. Moreover, the technical difficulties were great. Continental countries were unwilling to consider armies by themselves and insisted on dealing with them in connection with war material and aircraft. It clearly appeared that the mathematical attack of the Washington conference would be



fruitless against land armaments. What also emerged clearly was a conviction that the problem of security must be dealt with first—that, in other words, the approach to limitation must be indirect.

Lord Cecil's Draft Treaty of Mutual Assistance was the next proposal. That scheme, in a word, provided that in the event of war an attacked State would receive assistance from all other nations signatory to the treaty. With security provided for, States would be willing to disarm. The scheme was highly satisfactory to France and her allies, who have always wanted an international force under the control of the League of Nations. Other States, however, were lukewarm. Great Britain, in part because of an innate unwillingness to undertake a blanket continental commitment and in part because of the hostility of the Dominions, interposed a veto. But the attack on the armament problem continued to be made indirectly. At the League Assembly of the following year the Geneva Protocol emerged. This marked a great advance because of the importance that it attached to arbitration. It provided for the peaceful settlement of all international disputes. Any State not resorting to arbitration would be an aggressor. The other States would unite against it. War would thus be outlawed, security would be created and disarmament would be possible. The logical structure seemed complete—but again British opposition forced the rejection of the proposal.

The Locarno treaties followed. Here Great Britain was willing to accept obligations because they would be limited. The idea of the protocol was thus carried out locally rather than generally. Great Britain, Italy and Belgium promised France and Germany protection against unprovoked aggression by the other. That was a guarantee of the Franco-German frontier, and while a similar guarantee was not possible in regard to Germany's eastern boundaries, important

arbitration treaties concluded between Germany, Poland and Czechoslovakia went far toward "organizing" the peace in that section of Europe.

Largely through the insistence of the United States, which did not wish to work through the League of Nations and which remained aloof from these political advances, the naval problem continued to be attacked directly. Attempts were made to fill the gaps in the Washington treaties and to extend limitation to categories other than capital ships. In 1927 there was the abortive Three Power conference in Geneva. Relations between the United States and Great Britain were considerably embittered, and the United States was confronted by the necessity of spending huge sums if it was to have parity with Great Britain in cruisers and auxiliary craft. Again politics came to the aid of the direct method. The Briand-Kellogg treaty for the renunciation of war as an instrument of national policy, which was concluded in 1928, provided no sanctions, but morally its importance was considerable. With the United States and Great Britain both pledged not to make war on each other, there seemed to be no reason why an agreement on all naval categories should continue to be impossible.

There followed the London naval conference of 1930. A complete agreement between France and Italy was not reached—partly because of the maladroitness of Mr. Hughes at the Washington conference and partly because of insufficient political preparation for the London meeting. Separate negotiations between France and Italy followed the London conference, and if the issues in dispute have not been settled, they have at least become less acute. Finally, at the League Assembly of 1931 Signor Grandi, the Italian Foreign Minister, proposed a year's armaments truce. It was accepted and for one year there will be no increase in the naval and military programs already announced. If the

forthcoming Geneva conference is forced to confess failure, it can at least propose a prolongation of this armaments truce. This would mean two steps forward without one to the rear.

The disarmament conference will work on the basis of a draft preparatory convention which has been five years in the making. It is a document of sixty articles which cover all phases of armaments. But the coverage is in blank. The convention, that is to say, sets forth the principles which shall govern limitation, but the figures are to be filled in by the conference itself. The delegates of the thirty-two governments which were represented on the Preparatory Commission—the body which took the place of the Temporary Mixed Commission in 1926—sought to do no more than prepare a skeleton agreement for the limitation and reduction of naval, land and air forces. Despite the time and care spent in its preparation, this draft treaty bristles with unsolved problems. The different countries are already on record with more than fifty reservations.

Some of the difficulties are technical. How is it possible to compare the numbers of a professional standing army with the numbers in a conscript army which is continuously changing and giving more and more trained reserves to the country? The size of a standing army can be limited, but the numbers of trained reserves cannot be limited. The French maintain that trained reserves should be excluded from consideration. At first, Great Britain, the United States and Germany refused to consent to this, but the British and American objections were later withdrawn and the draft treaty accepts the French point of view with a few reservations, the most important of which is that by Germany.

Limitation of material raised similarly difficult questions. The naval problem is relatively simple, but concerning land armaments—and especially aircraft—who can say what ma-

terial has exclusively peacetime uses? Germany nevertheless maintained that direct limitation was possible and was supported by a number of States, including the United States, the Netherlands, Finland and Sweden. France and her allies were strongly in favor of indirect, that is budgetary, limitation, which is also urged on the ground that it is the only effective means of preventing nations from concealing their munition stocks. The present American attitude apparently is that direct limitation can be used for the United States if real budgetary limitation is agreed to by other countries and the convention provides that "the annual expenditure of each high contracting party on the upkeep, purchase and manufacture of war material and armaments shall be limited to the figure laid down for such party and in accordance with the conditions prescribed in" this convention.

With the exception of Germany's intransigent attitude, already referred to, the hostility of the United States to budgetary limitation is the most important opposition to the draft convention which has been manifested. The reasons for American opposition have never been made entirely clear. There has been some talk about constitutional difficulties standing in the way; the power of Congress to appropriate for the army could not be constitutionally limited by treaty. Such an argument is nonsense, for the Washington and London treaties prescribe the number of units for which Congress may appropriate. A treaty prescription of amounts of money would raise no new question. The United States is on record also as believing that only direct limitation will be effective. Something may be said for this point of view, but the fact is that only through the method of budgetary limitation can the Disarmament Conference achieve any positive results. The veto of the United States on the method would therefore be a veto on the success of the conference. Again it has been said that American



soldiers and sailors have high rates of pay and that the large expenditures for armaments by the American Government are not a fair index of the extent of our military and naval preparation. Such a difficulty, however, can be overcome by elaborate statistical devices which will take into account differences in the price level, rates of pay and so on. Moreover, the most promising use of the budgetary method seems likely to be a national rather than an international use. States signatory of the convention can pledge themselves to reduce their own expenditures by varying percentages. Such a percentage method could be applied to Congressional appropriations without the United States' suffering by reason of price differentials.

One possible ground for American hostility to the budgetary method—a ground which has not been much discussed—is the necessity of greatly increased expenditures if this country is to build up to the levels of the London naval treaties. If such building takes place, appropriations will have to be increased rather than reduced. There is no reason, however, why the Disarmament Conference could not make special provision for this matter. Hence if the point is under consideration by the American Government, it had better be frankly discussed.

Air armaments raise difficulties of their own. It is well-nigh impossible to draw a clear line between airplanes or materials which can be used for civil aviation and which cannot be speedily adapted for military purposes. Budgetary limitation was proposed by Great Britain for air material but was rejected. As the provisions of the draft convention stand, they hardly tackle the problem. By these provisions, governments cannot prescribe military features for civil aircraft; they cannot subsidize lines "principally established" for military purposes, and tables are set up for the figures of armed forces which may be limited as to number and total horse-

power. There is but scant hope for genuine success in reducing this category of armaments—not so much because of lack of sincerity as because of the technical difficulties in the way.

Other articles of the Draft Preparatory Convention relate to the exchange of information. Much information is now exchanged under Article VIII of the League covenant. The draft convention contains no undertaking to interchange information on the stocks of war material, but model tables attached to the treaty give the form in which data are to be furnished on personnel and expenditures. It would not be true to say that the publicity will be adequate, but it will certainly be far greater than any one a few years ago would have thought possible.

A permanent disarmament commission is to be set up in order to supervise the execution of any convention that is agreed to. This body has potentialities of the highest importance. When one considers the past attitude of States toward their armaments he must conclude that the mere acceptance of the principle that certain figures are not to be exceeded—even though the figures are not reduced—and an agreement to accept supervision by a commission would mark a great step forward. But the steps will not be great enough unless armaments are really reduced. The principal obstacle will be a feeling of insecurity on the part of the European States which have the largest armies. They like the present territorial settlement of Europe, and wish to keep their armies in order to safeguard the status quo.

France's official attitude toward the Disarmament Conference was stated at length in the memorandum which was issued last July. As has already been said, the memorandum argues that disarmament need not be undertaken until "national safety" is assured. That point of view was reiterated by M. Briand in his speech at the League Assembly last September. He

plainly hinted that unless some multi-lateral treaty, like the Geneva Protocol, is entered into, and France is promised military support against any aggressor State, disarmament cannot take place.

One may admit that the French are logical when they maintain that security must precede disarmament. The question is, however, whether sufficient security has not already been achieved. There are the League of Nations covenant, the Kellogg-Briand pact, with its renunciation of war as an instrument of national policy, the Locarno treaties which guarantee France the kind of security she specifies in respect to her German frontiers, the general act, and a complete structure for arbitration. The only thing missing is a pledge to rush to the support of France if trouble comes between Germany and her Eastern neighbors allied with France. It should be remembered also that France need not fear Germany even if no steps had been taken toward the organization of peace. Germany's army is 100,000 men. Her navy is negligible. Military aircraft is forbidden under the treaty. Her former allies are similarly disarmed. France and her allies can put in the field nearly 2,000,000 men. The defeated powers could hardly muster one-tenth of that number. In this disparity is there not a large measure of security? A 25 per cent reduction, say, even without reductions by Germany, would not so reduce the disparity that insecurity would follow.

The French "logic," moreover, fails to take account of the fact that security is increased by disarmament. So long as France holds its army to be necessary for security, other States are doomed to insecurity; for the security of one State in a military sense must mean the insecurity of others. If one State (France) has a legitimate claim to security, other States (Germany) have claims which are equally valid. Security may be looked for in guarantees and in treaties, but if these provide special security for

one State, then other States are insecure. France has many promises now. They do not, she argues, give her security. If the promises are kept, France has security; but she wants more promises. As the promises are multiplied there may be a diplomatic race for security as there has been an armament race, and the diplomatic race may be no more effective than the armament race in providing assurance against attack.

As expressed by former Premier Edouard Herriot, the French formula was "Arbitration, Security, Disarmament." The arbitration structure is now complete. But France says that security has not yet been achieved, and that therefore disarmament must wait. Would it not be more logical to put the formula this way: "Arbitration, Disarmament and Security"? The plain fact is that no greater support could be given to the feeling of security than through an agreement for a progressive limitation of armaments. France and her allies, with their present tremendous advantage over Germany and the dissatisfied European States, could safely lead the way.

Enough has been said to show that the Disarmament Conference has not an easy task. The lack of optimism as to its success is understandable. Yet perhaps the conference is meeting at a propitious time. Perhaps the world-wide depression, which shows no signs of becoming less serious, will convince governments and peoples that they must reduce the annual armaments bill of \$4,500,000,000 and devote the savings to more productive services. Perhaps it is a good thing that reparations, interallied debts and frozen commercial credits will be under discussion at the same time. Perhaps economic distress will be the weight in the scales which will make the balance move in the direction of lowered costs for preparing for the wars which every State has promised will not be made. Perhaps while the financial delegates of Germany are in

conference elsewhere, the German armament delegates in Geneva will not insist as vehemently as they did in sessions of the preparatory commission that the present situation is intolerable and cannot be permitted to continue.

This issue shows that the French have no monopoly of "logic." To Germany the disarmament clauses of the Treaty of Versailles are a punishment. To the victors the clauses are a guarantee that they cannot be successfully attacked. The state of Europe will not improve so long as these opposed points of view remain unmodified. Disarmament can come only if the efforts to achieve it are combined and if the principle of give-and-take is acted upon.

Yet, as I have said, the mere fact that the conference is meeting is encouraging. The publicity now given military forces and expenditures would have seemed incredible a decade ago. A permanent commission to supervise the execution of a treaty—no matter how imperfect the treaty may be—is a principle of the highest importance. Nor should one overlook

the fact that out of a meeting of representatives of all the States of the world there may come highly significant by-products. The newspapers are already discussing a broader version of the Locarno pact which would be unobjectionable to Germany and which would satisfy France. It may be possible at a conference called to discuss armaments to go far toward "filling the gaps" in the League covenant and reconciling it with the Briand-Kellogg pact. There may be some spectacular linking of intergovernmental payments and armaments expenditures.

In short, while the prospects of success seem meager, the outlook is not hopeless. It may be true that it would be "worse not to hold the conference than to hold it" but if the conference should unhappily be a complete failure, preparations will begin for a new one. Twenty years ago only halting steps had been taken toward international arbitration. Now the edifice of judicial settlement is almost complete. Is it too much to hope that within twenty years there may be a similar success in regard to armaments?

# The French Return To Prosperity And Power

By ROBERT VALEUR

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THE financial recovery of France has been astonishing to the American observer. Though nearly bankrupt in 1926, five years later she owns one-sixth of the world's gold. No less astonishing is her present political prestige which so recently culminated in President Hoover's recognition of France's commanding position in Europe in the official statement published at the conclusion of Premier Laval's visit last October. Contrast this with the humiliation France suffered at the Naval Conference in 1922. The French themselves are astonished at this vitality. Some undoubtedly would feel inclined at this juncture to speak of a miracle.

France emerged victorious from the war, but terribly weakened financially and economically. Approximately \$4,000,000,000 had been borrowed at home. Financial aid was asked also from abroad, especially from Great Britain and the United States, to the extent of about \$1,400,000,000. The whole war process reversed the nation's status. In 1914 her net credits abroad amounted to \$9,000,000,000. She emerged from the war a debtor nation. Besides the borrowings from Great Britain and the United States her position was rendered still worse by vast outright losses of about \$4,000,000,000 invested in Russia, Turkey, Austria-Hungary and the Balkan States.

Furthermore, the nation's economic life was disrupted. Ten departments in the northern and eastern sections of France had been for four years either devastated by warfare or oc-

cupied by the Germans. In those departments, among the wealthiest industrially and agriculturally, what had not been destroyed by actual fighting was systematically destroyed when the Germans withdrew. Again, add the loss of 1,500,000 Frenchmen killed in the war—one out of twenty-seven inhabitants, an even higher percentage than in Germany—and the hundreds of thousands who were disabled. The loss was even more terrible than the figures indicate, because males between 15 and 50 years of age, the backbone of industry and agriculture, were almost exclusively affected, the loss being over 11 per cent. All this explains why in 1919 agricultural production was 70 per cent and industrial and mineral output 60 per cent of average pre-war figures.

Immediately after the war the government undertook an enormous task of economic reconstruction. Instead of taxing the French people to raise the money needed—about \$4,000,000,000 has been spent by now in the devastated territories alone—the government resorted to loans. At that time the belief prevailed that Germany would pay and that the borrowings were thus merely advances. Besides, the country was too impoverished for heavy taxation. Both industry and agriculture had to be reconstructed before they could again be profitable. When loans and taxes combined proved inadequate to meet expenses, the government fell back on issues of paper money. The bank-note circulation, which was 5,900,000,000 francs in 1914, amounted to 30,000,-



000,000 francs at the end of 1918 and to 51,000,000,000 francs at the end of 1925. This inflation led in 1925 to a *crise de confiance* which was aggravated by foreign speculation and the unsound financial policies of the Left majority which took over the government in 1924. French capital was exported in large amounts and the franc began its vertiginous decline of 1926, reaching its lowest mark of 49 to the dollar on July 23, 1926. That day the Poincaré coalition Cabinet was organized, and shortly after imposed on the hostile Left majority in the Chamber of Deputies a constructive plan for balancing the budget with the result that in December, 1926, the franc had risen to 25.50 to the dollar. At the end of 1929 the Treasury had a surplus of over 10,000,000,000 francs.

Meanwhile, French industries were reconstructed so quickly and so successfully that some economists referred to the process as an industrial revolution. While the acquisition of the Lorraine iron field gave some impetus to the French steel industry it did much more for the export of French iron ore. Moreover, the German occupation of the most highly industrialized departments led to the creation of industries in new regions of France. At the same time the somewhat antiquated industrial plants and mines of the north were replaced by up-to-date organizations equipped with efficient machinery, and their handsome profits worked as an incentive to French manufacturers in other parts of the country to rationalize their plants. The inflation period led also to an increase of exports and to a boom in the French exporting industries. Yet, in spite of these changes, the population is still, even if by a very small margin, more rural than urban. France remains a country in which agriculture balances industry.

Although these facts indicate the remarkable efforts of France to get back on her feet after the war, they

do not explain the most striking aspect of her financial recovery—the large amount of gold held by the Bank of France and the credits France holds abroad. On the contrary, the cost of such a vast reconstruction makes it hard to understand how, after having been on the verge of bankruptcy in July, 1926, France is now so prosperous.

First of all, the war did not completely exhaust her financial resources. The gold holdings of the Bank of France were slightly larger in 1919 than in 1913—\$695,000,000, as against \$679,000,000. During the war France actually exported \$200,000,000 worth of gold, but she obtained it from citizens' hoardings brought to the central bank in performance of a patriotic duty. There was also much capital within the country after the war, including what had not been lent to the government from the savings accumulated for decades by the thrifty French people and also what had been paid by the government to domestic industries for war materials. During the financial crisis of 1924-26 large amounts of this capital were exported to safer monetary markets. After 1926 it slowly came back, largely in the form of gold; and this inflow of metal grew greater when the world depression beginning in 1929 led to Paris being considered a safer monetary market than even New York. Not only was French capital repatriated; foreign capital sought a refuge in France, especially after the recent German, British and American financial difficulties.

In the second place, the French balance of payments remained constantly favorable after 1924. It is true that the balance of trade has been adverse except in 1924 and 1927. The total excess of imports over exports for the seven years from 1924 to 1930 amounted to \$1,150,000,000. But the tourist trade during this period, according to the most conservative estimates, yielded an average of \$300,000,000 a year—a total for seven years

of \$2,100,000,000. This in itself balances the excess of imports. Also, there are receipts from shipping and transit services amounting to about \$120,000,000 a year, incoming reparations payments which exceed outgoing debt payments to Great Britain and the United States, and interest on credits held abroad. Altogether, it is conservatively estimated that the credits in the balance of payments exceed the debits by \$400,000,000 a year. For seven years this makes a total of \$2,800,000,000 which could be demanded in gold, unless offset by foreign investments. Such investments France made only to a small extent because world economic conditions did not seem favorable. If one compares the modest sum of \$2,800,000,000, most of which is sterile gold in the vaults of the Bank of France, with the \$9,000,000,000 of foreign securities owned in 1914, present prosperity is not so impressive. Yet comparatively small foreign credits give France a much greater power in the world, both economically and politically, than before the war.

For this there are apparently two reasons. First, in all the countries of the world outside the United States, the gold reserves have become so small, especially in Germany and Great Britain, that small withdrawals of gold may have disturbing effects. In the Summer of 1931, for example, it was conservatively estimated that all the gold of the Bank of England was subject to immediate withdrawal. Second, the credits held abroad are mostly short-term credits, payment of which may be required on demand. Their origin is twofold. French people prefer them to long-term securities because of the unstable economic conditions prevailing in the world. Also, as has been noted, the franc, after reaching its lowest mark in July, 1926, went up to 25.50 to the dollar in December of the same year. But for nearly two years before July, 1928, Poincaré advocated further deflation even against expert advice. This de-

lay in formally stabilizing the franc opened the door to speculation and the possibility of great fluctuations in the exchange rate. To prevent such fluctuations the Bank of France had to keep large amounts in short-term credits on the great monetary markets so as to be able to buy at any time at the ratio of 25.50 to the dollar any amount of francs offered on those markets. The holding of those short-term credits abroad would not have been necessary if the government had officially stabilized the currency in December, 1926, because a currency based on a gold standard cannot fluctuate above the point at which it will pay to sell or buy gold abroad. After the stabilization of the franc these short-term credits were partly realized upon, leading to an inflow of gold, or transformed into long-term credits. At the beginning of 1931 they were estimated at \$1,200,000,000 and they still amount to some \$600,000,000 in the United States alone.

France has become in less than five years a creditor nation. She has accumulated in the vaults of the Bank of France billions of francs in gold. But this need have little to do with prosperity, as we know. What then is the explanation of French industries working full time up to the end of 1930, for unemployment in France being not very important, business failures comparatively few in number, the budget balanced and the people happy enough? By stabilizing at 25.50 to the dollar, instead of deflating as Great Britain did, France extinguished four-fifths of her internal debt. If it had not been for that, the tax burden, considerable now, would have been unbearable, and French industries would have paid the penalty just as the British industries did after the war. On the contrary, the low cost of living resulting from inflation created a demand for French goods abroad and in doing so helped the reorganization of industries shattered by the war. The slow readjustment of prices after the inflation pe-



riod also explains why French factories worked full time for a year after the Wall Street crash of October, 1929. In addition, low prices attracted foreign tourists whose expenditures constitute such a valuable item in the French balance of payments.

These foreign factors, however, were hardly necessary because—and this is another element in French prosperity—France is practically a self-sufficing economic unit. She does not have to rely on exports to keep her industries going. The depression, by closing some of her foreign markets, has affected industries to the extent to which they export, but this is small. French exports are largely *de luxe* goods—the most important item being silk—and those economically privileged people who are the customers of France will probably continue to buy them.

Furthermore, the great defects of the *laissez faire* régime are lessened in France by an intelligent and consistent regulation of business. Her bankruptcy laws are so severe that they make the bankrupt business man an actual outcast. Her commercial code requires corporations to divert part of their earnings to reserves and provides for considerable State supervision of big business. Public finances are controlled by a small élite of highly trained officials, from whom the directors of the largest banks are as a rule recruited and who, when they go into private banking, employ the same methods as prevail in the public finance services. These men are ready to assist the government in floating loans or in meeting an emergency. The prompt recovery of the franc in the latter part of 1926 could not have been brought about without a close alliance between the treasury and the leading banks in handling the situation on the foreign monetary markets.

The view prevails abroad that France is drifting. She is, on the contrary, held to a consistent course,

though this is not necessarily due to the government, which is as inefficient as any other so-called “democratic” government, but to the higher permanent officials, either in the Ministries or in the various public services. The intellectual élite of the country still enters what is known as the *grandes administrations* rather than business. They are the competent and often the decisive advisers of those Cabinet Ministers who, after holding office in the Ministry of Justice or in the War Office, are appointed perhaps to the Department of Agriculture, only to be overthrown six months later. Cabinets go out of office but the *bureaux* stay. This feature of the French system explains why the innumerable political changes which took place in France in the last century did not change its governmental structure. Conservatism results—even backwardness, but this makes for stability.

The defects of the *laissez faire* régime in France are also modified by the character and temperament of the people. Realistic and prudent, the French resist the delusions of possible riches from investments in newly discovered but far-distant countries. They have modest ambitions and prefer a humble position that they will never lose to great expectations that may never come to reality. The French manufacturer does not run big risks. If his plant yields a fair return he will not trouble to increase its size. The large banks with their many branches and conservative policies are as immovable as rock. The shopkeepers are satisfied with their little stores and do not care for a boom which would disturb their quiet habits. The industrial workers are less specialized, less inclined to become mere robots than in Germany and America. The farmers work hard, but they own their small farms, love the land and toil on it with the loving care of gardeners. Finally, France has a population of only 41,000,000, which seems to be adequate for an area of 207,054 square miles. This gives a density of about

191 per square mile, which is much smaller than that of England, Germany or Italy, even though France has much larger agricultural resources than those three countries.

In spite of all these advantages, France is being affected by the world depression. Retail prices have not come down, while the purchasing power of many people has been curtailed by a decrease in exports. The problem now is, as elsewhere, to adjust production and consumption. This problem may prove not to be so serious as to the rest of the world and may be solved with less difficulty. The moderation of the French has prevented an overexpansion of industry such as has taken place in the United States and Germany. A depression is less dangerous in a country in which a business is built up brick by brick out of earnings instead of on credit. At the same time the low birth rate and the loss of man power in the war have obliged industry to rely more and more on foreign labor. Poles, Italians, Spaniards and Belgians have entered France in hundreds of thousands, but under employment contracts which do not give them a permanent status in the country. At the expiration of a contract, if there is no more work, these foreigners are sent back to their homes. In this way unemployment in France itself is kept down.

Underconsumption in France is probably much less of a problem than in the United States, because wealth is more evenly distributed. The Code Napoléon provides for the even distribution of a father's estate among the children. Large holdings of land are thus divided into small farms. Industrial and commercial fortunes are neither numerous nor large because of the lack of unreasonable ambitions of the average business man and also because of the heavy taxes imposed

on consumer and producer alike. If, however, a manufacturer or a merchant leaves a large fortune and no children to divide it, or one child or only distant relatives as heirs, the share of the Treasury is so large—the upper limit being 80 per cent—that the State becomes the real heir. Those who think that the present depression has a social and not an economic basis, that it results from faulty distribution, leading to insufficient purchasing power for too many people and to a consequent lack of adjustment between consumption and production, will readily understand that France, in the present juncture, is much better off than the United States.

Balance between industry and agriculture, intelligent interference of the government with business, highly competent officials, moderation and common sense among the people and equal distribution of wealth are among the fundamental factors which explain the relative prosperity of France. Her economic and social structure may be far from perfect; from many points of view it may even be regarded as backward. But France alone in the world shows that the old-fashioned ideals of individual freedom and *laissez faire* may work with a remarkable degree of success. Socialism or Communism might possibly be regarded as a theoretically more logical basis of social organization than *laissez faire*, especially when the latter is tempered, as in France, by State interference, which is nothing after all but disguised socialism. But social organization is what men and women make of it—a compromise between the conflicting tendencies of very imperfect human beings. French civilization is far from perfect, but it works satisfactorily, and if many Frenchmen think it might be improved, very few would advocate a revolution.

# Our Legacy From the World War

By ELMER DAVIS

THE American series of the Carnegie Peace Endowment's history of the late disturbance of the peace comes to an end with this volume\* in which Professor John Maurice Clark of Columbia University attempts to estimate the cost of the war, direct and indirect, to the one nation which has sometimes been supposed to have made a profit out of it. That this supposition (of which American economists as well as envious Europeans have been guilty) is nonsense Professor Clark has no doubt. "War," he observes, "is an affair of mutual defeat," no matter what offsets may be found for its enormous economic waste. Those offsets are largely spiritual, as are perhaps the heaviest of the costs; the author glances at these intangibles in passing, but his business is the computation of the cost in goods and services diverted from peace to war uses.

This is a formidable book, some of whose chapters will be read and can be understood by nobody but professors of economics. But pure economics is as much of an abstraction as pure mathematics. The science now currently so called was better known by its older name of political economy; indeed the economics of nations might better be called emotional economy. To the average politician, and perhaps to the average voter, too, good business is worth less than a good grievance, and an export balance counts for nothing beside the paying off of a

grudge. Of all this Professor Clark shows himself aware; and if he seems occasionally led into undue optimism by underrating political and emotional considerations, this is probably because his first interest is in what can be weighed and measured by statistical methods.

Statistics is the queen of the sciences, now that the physicists have divorced old barren Reason from their bed and substituted statistical probabilities for the laws of cause and effect—and a queen as capricious as most female rulers. That statistical computations are uncertain and often conflicting, Professor Clark confesses. But since politics and emotion constantly affect the calculations of war costs, particularly those that are still going on, a layman who has spent some time in the obscure forest of Professor Clark's statistics may perhaps play a diffident Vergil to the general reader's Dante, and try to show him the way out of the woods.

Much reasoning about the war (particularly its social and spiritual consequences) proceeds in a vacuum; it is assumed that if what has actually happened since 1914 had not happened, nothing would have happened, or nothing unsuited to the heart's desire of any given arguer. Professor Clark is under no such delusion. The war has had its effect, often incalculable, on everything that has happened since; but if there had been no war there would have been in these years prosperity and depression, though probably neither would have been so pronounced. The Coolidge boom may have been largely due to sales to Europe on money Europe borrowed to repair war damage; but

\**The Costs of the World War to the American People.* By John Maurice Clark, Professor of Economics in Columbia University. New Haven: Yale University Press, for the Carnegie Endowment for International Peace, Division of Economics and History. \$3.50.

if, as some economists estimate, Coolidge prosperity canceled the cost of the war, "the present depression may more than cancel that cancellation." We are (or were three years ago) better off than in 1913, but probably not better off than if the pre-war upward trend of national income had continued.

In any case, we owe a great deal to the years of neutrality. The year 1914 found the United States "rich, strong, heterogeneous and unorganized in a national sense; preoccupied with internal conflicts of interest, internationally unsophisticated \* \* \* with enormous energy at command and little disposition to submit to discipline or control in the use of it, \* \* \* a country with no sure willingness to bear the enormous economic sacrifices which a European war seemed certain to entail." The difference between this sprawling mass and the organized America of the end of 1918 would have been incredible to a pre-war observer. But it was the neutrality period that got us into training, that canceled our pre-war debt to Europe (a net gain of \$4,500,000,000 to \$5,000,000,000), increased the national income and built up an increased productive plant in precisely the industries we were going to need most when we got into the war.

In money as in men, Professor Clark observes, our sacrifices were "not of the same order of magnitude" as those of the European combatants; yet they were large enough. The real measure of war costs is not the money outlay but "the outpouring of goods, the diversions of productive power from peace to war uses, and the sacrifices of the people." But the money outlay must be used as a provisional yardstick, and the "immediate economic cost" to the Federal Government Professor Clark estimates as roughly \$34,250,000,000. This is based primarily on the treasury estimate of \$27,000,000,000 cost to the middle of 1921, at which time the war officially ended. But the treasury deducted

from the total of war loans the sum of \$7,470,000,000, the estimated worth of the European war debts; the author restores that sum "since the loans represented goods exported," and treats the payments made from Europe since then as offsets to our own continued costs, chiefly in the Veterans' Bureau. Certain other minor additions are made, and there are deducted most of the deficit of the Federal Railroad Administration (since the bulk of railroad service even in the war years was given to private business) and also the interest on the war debt to the middle of 1921, as this was a fiscal expense to the government but not a cost to the nation.

There must be added the expenditure by States and cities for war purposes, the \$560,000,000 subscribed to the Red Cross and other relief agencies, and the indeterminate but considerable amount that went into relief organizations of the Allies. Professor Clark thus comes to the conclusion that the "immediate social cost" was roughly \$32,000,000,000—a figure which seems too little rather than too much.

That was the immediate cost. We are still paying war costs, of course, chiefly in interest on the war debt and the expenses of the Veterans' Bureau. The war debt is not a social cost to the nation; it goes out of the pockets of taxpayers and into those of bondholders and the net cost is only that of administration. The expense for the care of disabled veterans and war widows and orphans is not loss, but the somewhat optimistic book-keeping of government agencies calculates that ultimately this will be more than offset by repayment of the European war debt.

It might be supposed that in view of the considerable rise in the Federal budget aside from debt service and veterans' relief, other post-war expenses may properly be charged to war influence. But Professor Clark thinks not. Considering the growth of population, the lessened buying power of



war and post-war dollars, and the pre-war upward trend in government expenditures, he doubts if the "normal" expenses of government are greater because of the war than they would have been in any case. Notably this is true in the army and navy, despite the increased mechanization of modern war, which makes armies and navies more costly than they used to be; this has been offset so far by the fact that both services are still using up equipment manufactured for the war. They have about come to the end of that, and increased expense or lowered efficiency of the defense forces must presently follow. As for some increases in the cost of non-military government services, especially the Department of Commerce, as a result of various consequences of the war, they are probably offset by the neglect of other things the government might have been doing.

There remain, however, the great debit and credit items of post-war finance, veterans' relief and the European loans. Even before the current moratorium we were spending more than twice as much on relief as we were getting from Europe; but theoretically the cost of relief will decrease, the payments from Europe will rise, till the balance will turn in 1946, after which the debt repayments will exceed relief costs, unless these latter are swollen by "unexpectedly large increases in disability or by fresh additions to our scheme of compensation."

Without such additions Professor Clark estimates the total outlay on veterans' relief, till it reaches a vanishing point about 1980, at \$20,000,000,000 to \$25,000,000,000. The amount we are entitled to receive on principal and interest of the European debt up to 1987 is about \$22,000,000,000—almost a balance, in theory. But the author clearly has his doubts (had them even before last year) how long Europe will go on paying; and he is also far from confident that veterans' relief will not be in-

creased. Whistling to keep up his courage, he observes that comparisons with the continuing burden of the Civil War are of little value because Civil War veterans eventually received service pensions, which are still continued to young widows of old soldiers. If this happened before young women had votes, is it not all the more likely to happen when every Congressman must think not only about the votes of veterans but of veterans' wives? The cowardice of Congressmen may be taken as a well-established fact, not to be omitted from any serious computation. On paper, European debt payments and veterans' relief cancel out, leaving the direct money cost to the nation no more than the \$32,000,000,000 spent at the time. But Mr. Coolidge, who may not know Europe but knows his politics, suggested in his Armistice Day speech of 1928 that the final cost of the war to America may be "well toward \$100,000,000,000." Even if Congressmen change their spots and twentieth-century girls prefer to work for a living rather than marry old men for their pensions, we must still spend nearly \$25,000,000,000 for relief at the present rates; and anybody who expects much more money on account of the European debts displays optimism worthy of a Florida realtor.

Of the \$32,000,000,000 immediately spent on the war about \$10,700,000,000 was raised by taxation—a very high percentage, and about as much, in the author's opinion, as could profitably have been taken. The rest came from loans. A deferred payment? No, says Professor Clark, only a deferred allocation. People who buy bonds give up their purchasing power to the government immediately; taxation to retire the bonds eventually distributes the burden, with no added cost except that of administration. Till the current slump the government was rapidly retiring its debt—too rapidly, in the opinion of some economists. The author finds it impossible to measure the total effect, good and bad, of this

on the national economy, though he does suggest that this continued flow of funds into the reinvestment market may have helped to raise security values to the fantastic heights of 1929.

But taxes and loans are inadequate measures of the actual sources of war expenditure. By computations which the amateur cannot follow without a headache, Professor Clark concludes that \$19,000,000,000 of the \$32,000,000,000 came out of decreased consumption and \$13,000,000,000 out of increased production. Who decreased their consumption \$19,000,000,000 worth? Apparently everybody, except the farmers. People with fixed incomes naturally suffered most in a time of rising prices—bondholders, government employes, salaried workers generally. Salaries increased absolutely but not relatively; wages increased more than enough to offset rising prices, but taxes and bond subscriptions took most of the margin; business profits were nominally immense, but taxes engulfed most of them. In 1918 somewhat more than 25 per cent of the total national income was spent on the war—\$16,000,000,000 out of \$62,000,000,000.

But no class in America was ruined by the war, as were middle-class bondholders and salaried workers in some European countries; in general there was a rough equalization of income, so that no class suffered serious privation or made any exorbitant profit—except the farmers. They “gained over \$5,000,000,000 between 1917 and 1919, and may be said to have been paying for it ever since.” They have paid, of course, because they inflated themselves on the theory that good times would last forever. City people who lately made the same mistake in judging security values can hardly throw the first stone at the farmers for that.

All in all, the burden of decreased consumption seems to have been distributed about as equitably as possible; but increased war production entailed serious and long-continued derangements. By shifting about

3,500,000 men from non-essential industries to military service and war work (the building industry suffering most heavily); by taking advantage of an increase of 1,500,000 in the normal working population; and by drawing into war work, military or civilian, about 800,000 people who normally would not have worked at all, it was possible to send 4,000,000 men into service and still increase the national production.

The increase, however, was not so great as might have been expected; in fact, it was less than the “normal upward trend.” Why? There was much waste (unavoidable, no doubt); many of the best executives and most skillful workmen were in the army, other executives were serving as dollar-a-year men in Washington; factories had to be manned largely by ill-trained and inexperienced workers in whom enthusiasm took the place of skill. By main strength and awkwardness they produced a good deal; but many of them worked “at unfamiliar tasks, subject to unfamiliar dangers, for long hours and under heavy pressure, frequently in congested housing conditions,” so that their output cost “more than normal human sacrifices.”

Further, much of the “decreased consumption” represented money that would normally have been plowed back into the business; many industries came out of the war with terrifically depreciated plant. The building trades, from which capital and labor had both been withdrawn, are an instance; they were starved in the war, and eventually the making up of war-time losses led to a wild boom, and that to another slump which seems likely to be aggravated by the administration's present proposals for its relief. Men were drawn from other industries into wartime essentials such as railroads and coal mining, to find that after the armistice they were no longer needed. But men attached to a prosperous industry are slow to leave it in hard times; they hang on, waiting for an upturn. (Professor Clark's conclu-



sions on this point are immensely significant for peacetime as well as wartime economy.) Industries which had to turn their plant to wartime uses often found that much of it was useless for peace; nobody else was able to duplicate the astounding feat of the du Pont Powder Company, which turned its immensely enlarged plant to the manufacture of peacetime goods at immense profit. But the du Ponts had a running start; their plant was built up by European orders before America entered the war.

Altogether there was immense waste—unavoidable waste, the author thinks, and far less than there might have been; but its continuing effects represent an enormous loss to the national wealth, human and material, that cannot be included in the \$32,000,000,000 of immediate cost.

The \$20,000,000,000 or \$25,000,000,000 of probable veterans' relief may be taken as an attempt to distribute the material cost of loss of life and health. Our casualties, of course, were far less than those of any other major power engaged in the war. Yet about 130,000 men died in service, of whom only 20,000 would normally have died in time of peace; and subsequent deaths due to war causes would raise the total by 60,000 or more. Modern war leaves worse and more lingering injuries than war of the old type; Civil War bullet wounds killed or were cured, but poison gas leaves weakened lungs and constant shell fire shatters nerves. Of the 262,000 veterans receiving compensation in 1929, tuberculosis and other respiratory diseases accounted for 74,000 and neuro-psychiatric troubles for 56,000. These are diseases not easy to cure.

The lost earning power due to death and disability is hard to estimate; the author capitalizes it roughly at about half the total prospective expenditure on veterans. The rest is largely subsidized insurance and adjusted service compensation, designed to spread out the burden of the social cost assumed by men who went into the army at a

dollar a day instead of earning their usual incomes in peace occupations. Professor Clark seems to think that in an economic sense the compensation fairly well distributes the loss; the emotional cost of death and disability of course cannot be measured.

But amazingly little attention is paid to the 400,000 civilian deaths from the war influenza epidemic. There is no exact evidence as to how far this was due to the war, but the author's view that probably some such epidemic (even if less severe) was due in any event seems highly speculative. Epidemiologists seem to think that not only the rapidity of the spread of influenza but the virulence of the germ was due to war conditions; and the ultimate economic cost of a pestilence which struck in the main at the young and vigorous may have been far more than that of death and disability among service men.

The decline in the birth rate due to absence on active service and to war deaths is usually counted in European estimates of war costs. Professor Clark refuses to count it for the United States on the ground that for a country situated as ours is a decrease in population growth is more apt to be a gain than a loss.

The direct and measurable cost of the war to America therefore would seem to be somewhere between \$52,000,000,000 and \$57,000,000,000—\$32,000,000,000 immediate cost, mostly paid while the war was going on (bond purchases being counted as immediate sacrifice of purchasing power to the government) and \$20,000,000,000 to \$25,000,000,000 which veterans' relief will cost at the very least. (Almost certainly this will be far more.) What are the offsets? What have we gained from the war?

The chief financial offset is the European debt; at this writing it seems highly unlikely that much more will ever be paid on the governmental debts of Europe to America. Neutrality wiped out our pre-war private debt to Europe and in the post-

war years our private loans abroad have amounted to (this is Professor Clark's conjecture) some \$8,000,000,000. There now begins to be some doubt how much even of this we shall ever get back. Interest payments from abroad have practically wiped out the old debit balance of international trade in the invisible items; our merchandise exports now represent "a progressive accumulation of credits." Our tariff policy hampers repayment in goods; the only other way we can be paid (and this cannot last forever) is by gaining an increasing control over the assets of foreign industry. Foreigners do not like that and we may not find it profitable. "A completely prostrate and bankrupt Europe," says Professor Clark, "would be a calamity to the United States which must at almost any cost be avoided and prevented." A Europe owned by American capital might not be much better, even for America.

The war also gave us a merchant marine, at a net cost to the Shipping Board of \$3,000,000,000. Unfortunately most of the ships built during the war were tramp freighters, a type of diminishing utility. The surplus was burned or lies rotting in the rivers of the Atlantic seaboard, and new ships have to be built to keep the American merchant marine up to date. From the standpoint of world economy, observes Professor Clark, this is a net loss; even as regards purely national interests it cost more than it has so far been worth.

Neither of these apparent tangible offsets to war costs, then, seems to be worth very much. There are intangible gains, whose worth will be estimated according to the temperament of the estimator. "America is now undoubtedly top nation," as the authors of 1066 and *All That* put it; but to be top nation in the interdependent and demoralized world of today may mean little more than that Uncle Sam is in the position of the unemployed provider for a family of invalid dependents. The "proven sense

of capacity for national accomplishment," which, as Professor Clark reminds us, was conspicuously lacking in the uneasy years of neutrality, is a clear spiritual gain; but that, too, may have been canceled out by the depression with its growing sense of national incapacity. On the other hand, the reaction from the war brought "normalcy" and its malodorous scandals in high places, and it also brought insularity with its corollary defensive mechanism of insensitivity to foreign opinion and contempt for peoples who do not happen to be quite like ourselves. "We learned things," says Professor Clark, "as men must from any great experience; but too often we seem to have learned the wrong things." Certainly when one considers that out of this disaster we have not even learned to do anything effective to prevent another like it, when our majority opinion allows its dislike for Europeans and Democrats to put a veto on most of the measures of international cooperation on which future peace depends, it is hard to say that there has been any intangible gain at all.

In one or two respects, however, the balance is somewhat better. Pre-war America was still in the trust-busting stage; it was not noticeably busting the trusts, but the attacks on them were hampering efficient and economical production without seriously interfering with the faults of monopoly. And the pre-war labor situation contained "many possibilities of trouble," with real wages hardly rising before 1916 and radicalism in the labor movement increasing. "That was a real threat, which the war and its after-effects served to remove for a decade and a half." It was removed partly by a wave of patriotism, which gave labor a national rather than a class consciousness, and partly by a more intelligent policy on the part of employers, which gave labor a larger share in the profits of industry. If the gentlemen who wanted to "deflate labor" in the 1921

depression had had their way the consequences might have been disastrous.

None the less there was even in the boom years a total deflation of some labor by technological unemployment, though other laborers were getting high wages; and now even the philosophy of high wages is beginning to crack under the strain of long-continued depression. Professor Clark is impressed, as any sane observer must be, by "labor's tolerance and willingness to accept well-intentioned efforts in default of effective remedies"; but "this tolerance may not survive another depression." The only thing that can insure its continuance, he thinks, is "a wise and successful unemployment program." This is not in sight as yet.

Capital no less than labor became better adjusted to the national life as a whole as a result of the war. "The public interest in methods of production," in the days when production for war needs was imperative, brought about improved technique, standardization, interchange of information, and in general a better cooperation within most industries and between industries and the nation. Furthermore, increased productive capacity must find outlets; traditional economics would say that its surplus can be diverted to new goods, but even with all the advertisers shouting at us the public cannot always be persuaded to want the new goods that the producer turns out. There is a time, in other words, when we all get sick of being commanded to buy gadgets we do not want. War reduces the stock of familiar and useful goods that people do want, and thereby serves to postpone the revelation of what you may call (according to your taste) either the bankruptcy of pro-

ducers' imagination or an inherent and incurable weakness of the whole profit system. The consumer was reaching his saturation point in 1929; he might have reached it much earlier if the war had not destroyed so many of the things he really needed. A few years ago a respectable economist would hardly have dared to say this; but here as elsewhere Professor Clark shows a praiseworthy tendency to common sense, and to looking at the facts whether or not they agree with classical dogmas.

But this item, though an offset to war costs, can hardly be called a profit. The one indubitable gain which the war brought American economic life was a better realization by both capitalists and laborers that they are also, and in the first place, citizens. By contrast with the conditions of 1912 this gain is immense; against the imperative demands of 1931 it is not quite so impressive as could be wished. There is plenty of well-intentioned effort just now, but nobody has produced any effective remedies. So perhaps more attention might be paid to another of the war's useful legacies—the government's plan for industrial mobilization when the next war breaks out. When that day comes self-reliant American individualism, so highly recommended from the White House, will be thrown overboard; every man and every industry will be told what is expected and demanded of him, everything will be intelligently planned toward the fulfilment of the national purpose. If that can be done the next time we find ourselves at war it seems as if something like it might be attempted to deal with a depression which has already, in Professor Clark's opinion, cost us more than the \$32,000,000,000 we spent on the war with Germany.

# Japan's Bid for Far East Supremacy

By WILBUR BURTON

THE undeclared war existing between China and Japan since the Japanese seizure of a large part of Manchuria is merely another chapter in a struggle that has gone on for centuries. Although the Japanese and Chinese have much in common, especially a Confucian basis of a large part of their social life, there seems to be a fundamental antagonism between the two peoples. Each nation has devout advocates of Sino-Japanese cooperation toward a Pan-Asiatic movement of "Asia for Asiatics," but it has never made much headway, nor is there any indication that it ever will. Rather, there is a long and almost instinctive conflict between the Chinese and the Japanese for domination of the Far East. A common Chinese attitude toward the Japanese is expressed by frequent reference to them as "dwarf slaves." An equally common manifestation of Japanese chauvinism is best illustrated in the description of China by Norinaga, one of the makers of modern Japanese mores, as "a dirty country not under the special protection of the Sun Goddess."

Envy explains much of the Sino-Japanese antagonism. When Japan was an insignificant nation of constantly fighting feudal chiefs, China was the mighty "Middle Kingdom," a centre of the wealth and culture of the Orient. The West then was but vaguely known. All the civilization that Japan had came from China; even the dress of Japanese women today is of Chinese origin. Confucianism was imported into Japan and adopted. Within the last century reaction against this wholesale imitation of China began and Shinto and Bushido were brought forth to re-

place a large part of the Confucian code. Within the last century also, the rôles of China and Japan have been reversed; from insignificance Japan rose to be one of the world's major powers, while from isolated magnificence China fell into chaos and for a time was threatened with virtual extinction as a nation through being carved up by western invaders. This reversal of their rôles naturally aroused envy, if not resentment, of Japan among the Chinese.

Today Japan is a great but small country with extremely limited natural resources and with a population of nearly 65,000,000, which is considerably too large for her area. China is a vast country with extensive natural resources and approximately 400,000,000 population. If the Chinese envy Japan's present greatness and importance the Japanese can well envy China's size and potential importance. Further, despite her chaos and backwardness, China has been an obstacle to many Japanese ambitions. In Manchuria, for example, more than 25,000,000 Chinese have settled in the present century, but only 200,000 Japanese. Despite population pressure in Japan, Manchuria is too cold for Japanese colonization, while the Chinese are able to live and prosper in all lands from the equator to the Arctic Circle.

Japan's imposing façade cannot conceal many major weaknesses. Her already excessive population is increasing steadily, but immigration to countries suitable to the Japanese physique is no longer possible. Japan, furthermore, suffers chronically from an unfavorable trade balance. Since 1870 imports have exceeded exports in all but eleven years. In only one



year between 1897 and 1915 did exports exceed imports, and in no year since 1918. Today Japan has a governmental deficit of approximately \$81,500,000, which is the result of her huge military establishment. This fact, incidentally, was not without vital significance in the Manchurian adventure; the army wanted to prove its worth lest its appropriations be curtailed.

Japan also faces a growing radicalism among her own people. Radicalism, it must be understood, does not necessarily mean any shade of communism, although there is a strong Communist movement. Anything is radical in Japan that is not predicated on the thesis of the Emperor's divinity. The doctrines of Thomas Jefferson are just as subversive to the Japanese theocratic state as those of Karl Marx, although the country has manhood suffrage. The anomaly of manhood suffrage and Emperor worship, for example, was amusingly illustrated in 1929 by the Japanese objection to the phrase in the Kellogg-Briand peace pact that the "high contracting parties declare in the names of their respective peoples" to outlaw war. The pact was ratified by Japan with the qualification that the Emperor spoke as a sacrosanct god, not as a representative of the people. Until recent years the divinity of the Emperor apparently was doubted by no one, but the younger generation is indulging extensively in what the police describe as "dangerous thoughts," many of which are inspired by the sweeping social revolution going on in China. And this is another reason why official Japan regards China with profound mistrust.

The first recorded clash between China and Japan took place nearly three and a half centuries ago, when China still was the mighty "Middle Kingdom" and Japan started struggling for a place in the sun. The Japanese invaded Korea, then a tributary State of China, and in the following year Chinese troops sought to oust

these "barbarian upstarts." The Japanese forces defeated the Chinese, but abandoned the project of conquering Korea for almost 300 years. In 1609 the Japanese did conquer and assume control of Liuchiu, also a tributary State of China, and thus took their first successful step in imperialism.

From then, until opened to the world by Commodore Perry, Japan was too busy with her petty internal wars between various clans to be concerned with the rest of the world. Meanwhile a curious development was taking place. Three prophets arose to proclaim the glory of Japan before the introduction of Chinese philosophy. Once, they said, in a by-gone "Golden Age" the Mikado, or Emperor, had been supreme by virtue of his descent from the Sun Goddess, but, Kamo Mabuchi found, "since the introduction of Chinese manners the sovereign, while occupying a highly dignified place, has been degraded to the intellectual level of a woman." Motoori Norinaga proclaimed that the Mikado is the "Immovable Ruler who must endure to the end of time; \* \* \* in ancient language he was called a god, and \* \* \* duty, therefore, consists in obeying him implicitly without questioning his acts." Hirata Atsutane declared that "from the fact of the divine descent of the Japanese people proceeds their immeasurable superiority to the natives of other countries in courage and intelligence." All these prophets and their followers urged a return to Shinto, a "way" that is based on the infallibility of the Emperor and Nature—the Emperor being a kind of all-powerful oracle of Nature.

The preaching of the Shinto evangelists probably would have passed unnoticed had it not been that their movement coincided with Perry's forcible opening of Japan. Soon afterward a few energetic young Japanese, like Prince Ito, who had studied abroad, became convinced that Japan's ancient isolation and warring

feudal lords were anachronistic and no longer desirable. They seized upon Shinto as the "way" toward a new Japan, and a group of fifty-five of them overthrew the feudal Shogunate in 1867, and on Jan. 1. 1868, proclaimed the Era of Meiji (Enlightened Government) under Emperor Mutsuhito.

This "restoration" was one of the most sudden and thorough-going changes any nation has ever experienced. It was far more a revolution than a "restoration," for there is no historical warrant to accept the story of any "golden age" under Shinto, which appears to have been originally merely a primitive animism. But the "restoration" legend served its purpose well; the coming of strange and somewhat fearful aliens furnished a powerful motive for unity; the people were tired of feudal wars, and the characterization of the new régime as only a return to ancient glory was psychologically pleasing. Along with Shinto the "restorationists" popularized Bushido—"the way of the warrior"—as likewise a revival of an ancient heritage. Actually "Bushido," which may be most simply defined as salvation through fanatical patriotism, is a modern device, although many of its knightly principles are doubtless a part of Japanese tradition. Today both Bushido and Shinto are taught in all public schools and universities as eternal verities, and to question either is a "dangerous thought."

In 1889 Shinto and Bushido were given legal confirmation in a constitution which is certainly a unique document of statecraft. Article I provides that "the Empire of Japan shall be ruled over by the Emperors of the dynasty"; Article III decrees that "the person of Emperor is sacred and inviolable"; and Article XIII says "the Emperor declares war, makes peace, and concludes treaties." Other provisions of the constitution give the government power to carry out the budget of the preceding year should the Diet

not vote a budget, thus precluding any possibility of democracy in the western sense.

No sooner had Japan completed her "restoration" than she started on the road to imperialistic greatness. China, then under the rapidly degenerating Manchu dynasty, was unable effectively to oppose aggression from either her neighbor of the rising sun or the more distant countries of the setting sun. In 1874 Japan seized Formosa, a part of Fukien Province, from China, and in 1895 she again attacked Korea and thus started the only formally declared Sino-Japanese war. As a result of China's defeat Korea became independent—a prelude to annexation by Japan in 1910; China surrendered all claim to Formosa and Liuchiu and, in addition, paid a war indemnity of more than \$100,000,000.

After the formal Sino-Japanese war Japan obtained all special rights in China that other powers had wrested from that hapless country; the defeat of Russia in 1905 gave Japan all Muscovite concessions and rights in South Manchuria. The next year the South Manchuria Railway Company was organized, and in the years immediately following Japan obtained additional rights and coal mining, timber cutting and similar concessions.

Sino-Japanese relations entered a new phase after the Chinese Revolution of 1911, which overthrew the Manchu dynasty. A revolution in China evidently did not appeal to Japan, both because of its unfortunate example and the possibility that a republic would prove a more vigorous rival than a weak and corrupt monarchy. During the early stages of the revolution Japan made a definite effort to divide the country, with a republic in the south and the monarchy in the north, but failing in this plan she joined the banking consortium that in President Wilson's eyes, at least, was designed to mortgage the infant republic to the major foreign powers.



Japan's fears that the Chinese Republic would prove more potent than the Empire proved groundless, at least for the time being. Unlike Japan's revolutionary "restoration," the Chinese revolution retarded the introduction of Western industrial and economic technique, while throwing the country wide open to new social ideas that are still working themselves out. But the revolution paved the way for providing China with a source of strength she lacked before—a violent nationalism among her people. This has been apparent ever since the Twenty-One Demands of 1915 and has been the chief check on Japanese imperialism as well as the most powerful threat to Japan's future in the long-drawn-out war for supremacy in the Orient.

The Twenty-One Demands were presented to China at what was the weakest point in her history, taking all factors into consideration. From a military standpoint she was no weaker than she had been for many years, but in 1915 she lacked the asset of being able to play one great power against another—a policy that had frequently saved her. When China came most dangerously near to being carved up—in the last years of the nineteenth century—the jealousy of the powers to prevent one from getting more than another, and the Open Door policy of America, who did not desire any territory or special "sphere of influence," combined to preserve a nominal territorial unity within the country south of the Great Wall. In recent years China has had a potent weapon in the nationalism of her people. But in 1915 this nationalism was still little more than embryonic, and all the Western powers were too much occupied with the World War to pay much attention to China.

Had the original Twenty-One Demands been carried out Japan would have achieved a virtual protectorate over China. But, despite the unfavorable conditions, adroit diplomacy staved off the worst of the demands,

although the agreement growing out of them gave Japan a secure foothold in all parts of South Manchuria outside her railway zone. Subsequent special rights, not only in Manchuria, but in China proper, were granted in a secret agreement concluded with the notorious Anfu clique in Peiping in 1918. It was this series of events, together with Japan's demand that China sign the Treaty of Versailles confirming possession of the parts of Shantung seized from Germany, that brewed the first nation-wide nationalist mass movement in Chinese history—a movement which proved sufficiently powerful to prevent China from signing the Versailles treaty, forced the Anfu clique to flee, and eventually assisted in inducing the Washington Conference to return Tsingtao and other former German possessions in Shantung, to China.

The birth of Chinese nationalism apparently gave pause to Japanese efforts to prevent the rise of an Oriental rival. During the period of 1922-24 Japan's policy toward China was decidedly pacific. Nevertheless, Japan retained her hold on Manchuria through Chang Tso-lin, father of Chang Hsueh-liang, the present ousted Governor of the territory. And in 1925 the Japanese, although not too openly, assisted Chang Tso-lin in crushing the nationalistic Kuo Sunglin revolt. In the same year also the killing of a Chinese worker during strike troubles in a Japanese mill of Shanghai started a wave of nationalism, tinged with bolshevism, that soon swept China. Great Britain, however, became the chief object of this outburst when the British police in Shanghai killed a number of students on May 30, 1925. Throughout most of the struggle Japan maintained a discreet neutrality.

In 1927 and 1928, when it appeared that under the banner of the Nationalists, then divested of Soviet affiliations, a measure of Chinese unity would be obtained, Japan reverted to her ancient tactics of seeking to keep

China divided. Troops were rushed to Tsinan in Shantung on the pretext of protecting the Shantung Railway, for which China was still in debt to Japan; their obvious purpose was to halt the march of Nationalist troops to Peiping. But the Japanese succeeded only temporarily. Nationalist troops reached Peiping and formal unity of the country was proclaimed. Japan then turned her attention toward preventing Manchuria from coming into the Nationalist orbit. Had not Chang Tso-lin been killed in a mysterious train explosion, which Chinese and many Japanese attributed to the Japanese military in Manchuria, it is altogether possible that Manchuria would have remained closer to Tokyo than to Nanking, the Nationalist capital. Filial piety is still strong in China, despite social evolution, and it was this ancient trait which appears to have been chiefly responsible for Chang Tso-lin's son's turning toward Nanking. Certainly from the time he assumed power on the death of his father he showed little inclination to cooperate with the Japanese, and by 1931, Manchuria, for the first time in modern history, was under a government that was more pro-Chinese than pro-Japanese.

This fact was doubtless partly responsible for the new "strong policy" adopted by Japan in her seizure of much of the territory beginning last Sept. 18. All the motives that entered into the seizure probably never will be known, but its primary inspiration was, beyond cavil, the fact that Japan saw Manchuria slipping from her domination. It is also possible, as has been charged, that the Japanese military acted without consultation with the civil authorities. Perhaps, also, the Japanese cannily calculated that the time was propitious to curb further their omnipresent Celestial menace. China in 1931 was in chaos. The Nationalist movement had again split; one faction comprised the recognized government in Nanking, while

another held sway in Canton. Besides, the Communists had risen to an influential position, forming the first Soviet Republic of China in Kiangsi and adjoining provinces. And the world was too preoccupied with economic troubles to take much interest in China and her difficulties in resisting Japanese purposes.

Whatever may have been the reasons, aside from the pretense of treaty violations which can always be charged to China, Japan struck, and struck hard, taking not only actual possession of practically all South Manchuria and some areas in the north, but demanding the complete and permanent withdrawal of all Chinese soldiers to south of the Great Wall. As was to be expected, the League of Nations could not or would not do anything, and China was in no position to fight back. But one answer of Cathay was the most thoroughgoing boycott ever instituted against any nation; another answer was a recrudescence of the mass movement on a scale unprecedented since 1925. It remains to be seen whether Japan can finish what she has started.

This brief review of Sino-Japanese relations reveals clearly a consistent policy on the part of Japan—to prevent, if possible, the rise of a strong, stabilized China. There are critics, including many liberal Japanese, who consider such an attitude shortsighted. From one viewpoint they are correct. China, normally, is Japan's best customer, and trade is suffering by the present boycott, even more severely than from past boycotts. On the other hand, a strong, stabilized China would be Japan's nemesis. If the potentialities of Cathay, with her 400,000,000 people and vast natural resources, are ever even approximately realized, Japan will be overshadowed into insignificance, for her strength is ever conditioned by China's weakness.

SHANGHAI, China, Dec. 11, 1931.

# The Skyscraper's Challenge to Sculpture

By EDWARD ALDEN JEWELL

HOW fares it with sculpture in America? If we are to take Jacob Epstein at his word, our sculptors must be esteemed, as it were, badly in arrears. They have failed to keep pace with the skyscrapers. America, he says, in his just published book, *The Sculptor Speaks*, has "created an entirely new school of architecture, massive and impersonal," and he believes that this modern architecture of ours "calls for a new school of sculpture." Is it true that "there is no sign at present of a real American school of sculpture"? Before attempting to answer this question it will be well if we glance for a moment at our American heritage in sculpture, tracing briefly the tendencies and influences that fashioned it, such as it may be, and estimating, so far as we are able, the social demands that have impelled sculptors in this or that direction. Perhaps Epstein, the expatriated, is right; possibly he goes a little too far in his discouraging evaluation.

Let us see upon what authority a modern school of American sculpture, if it exist, may be said to have inherited lares and penates of its own. Curiously enough, and significantly, our sculptural beginnings in this country show themselves to have been virtually innocent of European direction. As time went on and our sculptors attained "professional" status, older cultures across the Atlantic were asked to yield pattern and precept; but before that there were certain homely groping primitives—like William Rush

and John Frazee, like Hezekiah Augur and Patience Wright—who perforce blazed trails of their own in a wilderness both literal and figurative. Their crude but passionately sincere efforts established a native precedent that, however misprized and misunderstood at the time, assumes immense importance as we look back now, striving to piece together the fragments of our American patrimony.

The Colonial period drew to a close. A war was fought and won, and a new Western Republic took its place in the family of nations. That art should have been slow in developing need occasion no wonder. There was so much work of pioneering nature to be done. The insecure young nation, with enduring autonomy yet to prove, must build up its industrial and agricultural resources; must create a truly integrated union of States, a system of government capable of cementing and sustaining this union. All too soon came the Civil War, menacing the heart of a society it had taken such heroic labor to evolve. Yet a yearning for art is implanted in humanity. Through even such stress as this the lamp remained alight.

Gone, however, was the primitive simplicity that could without embarrassment speak a provincial, homespun idiom. As a nation we had become painfully conscious of cultural insufficiency. Our sculptors, like our painters, lacked in their work the finish (slickness is sometimes, alas, a term more appropriate) that distinguished the art of reigning European celebri-

ties. They lacked, too, the requisite capacity for grandeur and (let it be diffidently confessed) for sublimity—or what passed for these widely admired qualities. Only in Europe could one learn the trick of immaculate, glistening surfaces; only there, so popular persuasion ran, could our sculptors matriculate worthily, acquiring styles approximating (it would be presumptuous to hope for styles quite equaling) those of Roman masters like Canova and Thorwaldsen, then so enormously in the vogue. Off sailed the American neophytes—Hiram Powers, destined to produce the illustrious "Greek Slave"; Horatio Greenough, who would presently fabricate a colossal George Washington in classic garb for the Capitol; Thomas Crawford and his pupil, John Quincy Adams Ward, together with others who followed eagerly along.

Once the quest was started it gained momentum rapidly. As art fashions changed on the Continent our docile sculptors accommodated themselves to such inevitable fluxes. Paris displaced Rome as the sculptural arbiter, and this in a way was very convenient since now all the arts were controlled by one supreme esthetic tribunal. Not to work in the French manner, be the medium sculpture or painting, was not to be anybody at all.

Sculptors like Augustus Saint Gaudens, Frederick MacMonnies and ever so many more learned their lessons well. MacMonnies, returning, helped build before marveling eyes that superlative white fairyland known as the Chicago World's Fair of 1893, surely an emblem of culture's triumph and a nine days' wonder the like of which had never before been seen in this hemisphere. The splendor spread. Our civic parks came to be embellished not alone with the austere Civil War and Spanish War veterans on their granite pedestals, but also with graceful fountains. Graceful figures of statesmen, poets and, more frequently, "symbolic" virtues gladdened the façades of pub-

lic buildings. If these tended to add bewilderment to the prevailing architectural conglomeration, we did not mind, because all this linked us more and more closely with European culture, and we dared not yet believe that we, as a nation, had a collective mind of our own.

With the dawn of the twentieth century, however, a new American social philosophy began to assert itself. A machine age made demands to meet which the now outmoded methods of the nineteenth century were somehow not equipped. Our architecture shot up into the air. "Modern art" (fostered, to be sure, on the Continent) wooed sculptors and painters alike into realms of abstraction. This urge went deeper than the surface. There was something inherently, if not always quite palpably, abstract about these great new skyscrapers and grain elevators, which added legitimate fuel to the revolt from older forms. Of course all this was, at any rate over here, largely inchoate. Sculptors did not know precisely what the modern movement was all about, and most of them still—partly in self-defense, though without quite the former abjectness—followed European leadership.

Even our skyscraper architects, though they and their brothers, the engineers, had succeeded at last in creating something essentially American in spirit, nearly always got cold feet and lathered the faces of these vast monumental forms with gimcrack "period" decoration. As for the engineers, they knew what they were about; they were rearing gargantuan structures of steel and concrete for a Western civilization that had need of them. Yes, the engineers had devised, working on a strictly utilitarian or "functional" basis, an architecture unprecedented in the world's history. And had they been permitted just to ceil up these enormous steel skeletons with outer casings consonant with the spirit of the shells, we might have today an architecture more unreservedly



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American to set in contrast with the architecture of the Old World. But most of our architects (there were notable exceptions) felt still drawn, from force of habit, to the procedure of "tradition," and the final result, in too many instances, has been a surface hodgepodge born of timidity, reasserting — incongruously enough in this day and age — America's ancient sense of cultural inferiority.

What has all this to do with sculpture? A very great deal, as we shall see if we pursue the problem a little further. Despite their many lamentable defects, our skyscrapers are preponderantly native. It is of them that Jacob Epstein is thinking when he says that America has "created an entirely new school of architecture"—an architecture that promises in the future to become still more finely "massive and impersonal" (if "impersonal" be the word) than it is today. With so positive an achievement as this to our credit, it is not surprising that Mr. Epstein should bring critical scrutiny to bear upon American sculpture and that in his eyes it should fail to meet the test.

Architecture and sculpture have always tended to walk hand in hand. We know what triumphs resulted from joint labor in the past—in Greece and Egypt and Assyria, for example. The carved frieze became, in a far-distant age, an integral part of temple and palace. Figures "in the round," stepping out of these carved narrative bands to become independent statues, need not, as the ancients amply demonstrated, be considered extraneous. Sculpture, both in bas-relief and in the round, has almost universally proved an element not to be divorced from architecture. Later in a nation's development, and invariably as a civilization becomes more elaborately sophisticated or wanes into the profuse flowering of decadence, the field broadens, grows more complex, encouraging the production of innumerable detached adornments for the homes of

the wealthy. This lush heyday perhaps attained its most prolific expression in the Rome of the Caesars. When such proportions are reached it is easy to lose sight of the original rôle sculpture played in the architectural scheme. Nor is sculpture viewed as a wholly independent form of art to be dismissed as inconsequential—far from it. Nevertheless, we perceive, permitting history to be our guide, that architecture and sculpture are united by the bond of an intimate and major relationship.

What happens when we juxtapose this long historical sequence and the problem of our own age and our own country? It becomes immediately evident that, like the Egyptians and the Greeks and the Assyrians, we must bring about, if anything really significant and harmonious is to result, a relationship that shall betray the essential function neither of architecture nor of sculpture. Both have been plentifully betrayed here in the last half-century. Downtown New York, for example, is riddled with strange and grotesque misfits. Consider the weary crouched figures holding up the old St. Paul Building—anachronistic, to say the least, in an age whose labor is performed by the machine. Yes, we must decide, caryatides, whether placed upright or on bended knee, are pretty sure to be *de trop* on a modern American façade. Half-way up the face of another New York building, this one in Park Row, stand figures that, a trifle too serene to be quite medieval, do absolutely nothing to help keep the structure from collapsing. These figures, each on its protruding platform, seem merely to be stepping out to take the air; nor have they been placed high enough to make the view anything to brag about. And again we decide, attempting to evaluate such sculptural futility, that grave danger besets the modern American architect who sanctions the inclusion of detached superimposed ornamentation.

Has sculpture any place at all in

twentieth-century American architecture? This pivotal question cannot be more than posed at this time. We do not yet know. However, it is safe to venture the speculation that few of the accustomed sculptural forms will prove adapted to this new machine-age style of the builder. Carved arabesques around doorways and elsewhere have been incorporated, often without disastrous results. Then there is the bas-relief. Lee Lawrie, for one, appears to have achieved some success in work of this sort on the new Nebraska State Capitol and the Los Angeles Public Library. True, the spirit of this sculpture seems less American than — shall we say? — Assyrian; but in principle it constitutes a modern effort that will bear watching.

In his exhibition last season William Zorach showed a frieze design proposed for the Los Angeles City Hall. Mr. Epstein perhaps does not know about this as yet. It is an ambitious project which still waits upon appropriations. The specified space on the façade of the building will accommodate a frieze ninety feet long and nine feet high. Mr. Zorach achieves in the carrying out of his design something that, in the manner of today, approaches Greek universality. Telling the story of the rise of civilization in California from earliest times to the present, the sculptor has so conceived his narrative that it is irradiated with a kind of splendid timelessness. Hitherto in dealing with allegory and symbol our sculptors have, almost without exception, entered upon an orgy of sentimental and inflated bombast, just as have our painters of murals. Mr. Zorach shuns these evils, and handsomely proves that, if there be found room for such decoration in the scheme of modern American architecture, sculpture of the right sort need not be sought in vain.

The field is still largely unexplored. This much seems certain—until there is a sincere and deeply pondered demand for architectural sculpture—un-

til fundamentally the social need is expressed—our sculptors should not be called upon. Haste will get us nowhere. The thing, if done at all, must be done superbly. Inclusion must be vital, inevitable, or something worse than the lathering on of "period" camouflage will result. To tell the truth, American sculpture is, like the whole social organism, at present in a state of transition. That, however, is not an issue over which we need lose sleep. Transition girdles the civilized world today, and such charges as Mr. Epstein launches may with nearly as much point be directed toward any other quarter.

What about American sculpture that is less immediately or not at all related to architecture? Really fine pieces are being produced, but they tend to be lost in the shuffle. Standardizing foundry multiplication, plus adroit salesmanship, scatters far and wide the plastic thoughts of enterprising little sculptors—hundreds, maybe thousands of them—whose training has been purely academic and whose souls are set upon the attainment of counterfeit sublimity or prettiness, or even, alas, just cuteness. The vast sculpture show out in San Francisco a few years ago revealed little of any consequence. Annual visits to the exhibitions of the National Academy and kindred organizations become increasingly painful. Often, indeed, one's very credulity is put to a severe test. Nor is such complacently mediocre work confined to the exhibition halls. It stalks abroad through our cities, leaving a trail of trashy memorials, undistinguished portrait statues and monuments not easily classifiable.

Here we see a "Civic Virtue" climbing thickly out of a basin set in front of New York's handsome Colonial City Hall. Now this "Virtue" is a muscular young man (and we all admire athletes), though one ponders in secret whether, by chance, the muscles are more than cleverly fitted gas bags. For an athlete he has a softish look

and, despite a determined beauty of face (which would cause chuckles in the vulgar subway), this "Civic Virtue" seems largely undetermined as to what he had best do next when he has pulled his wobbly legs up out of the ooze. Surely such sculpture is not keeping pace with the skyscrapers. If the sculptor had made his "Virtue" the equivalent of sixty stories high, would the case be bettered? Is anything gained by the theatrical carving of a mountainside into the likeness of a national hero?

But we have done better than this. For example, in the foyer of the newly opened Addison Gallery at Phillips Academy, Andover, has been installed a charming little fountain by Paul Manship. The nude form on its ingeniously contrived base is admirably conceived and wrought. True, like so much of Mr. Manship's striving and decorative work—like the sculptural forms of Lee Lawrie, about which we have just been speaking—this little fountain seems not overwhelmingly to derive from our Western civilization. The same has been true, more or less, of many other prominent American sculptors' work. Examine characteristic examples by Hermon A. MacNeil, Henry Augustus Lukeman, James E. Fraser, Adolph Weinmann, Mrs. Bessie Potter Vonnoh, Karl Bitter, the Borglums, Phimister Proctors (you possibly recall his glorified "Indian Warrior," along with Cyrus E. Dallin's "Medicine Man"), and try to decide to what extent their technical equipment expresses the gradually shaping philosophy of this hemisphere. The list of prominent sculptors contains many more names than we have space here to mention. There are Charles Grafly, Lorado Taft, Charles Keck, Edward McCartan, Robert Aitkin, John Gregory, Gleb Derujinsky, Gertrude Vanderbilt Whitney—scores besides. These have done very able and even distinguished work; but many of our sculptors are likely to find themselves

hauled upon the carpet by Jacob Epstein's recent pronouncement.

This raises the interesting and disturbing question, Are we producing any sculpture that is preponderantly and unmistakably American? This question, like that relating to sculpture's place in modern architecture, cannot be answered by him who reads as he runs. While agreeing, enthusiastically enough, that Mahonri Young's well-known boxing and wrestling groups may be called quite as American as similar themes in paint by George Bellows, we should constantly beware of being too much swayed, in sculpture as in painting, by subject-matter which, esthetically considered, is of secondary importance. If every one of our sculptors was to turn out a realistico-symbolic "Pioneer Woman," that would not necessarily mean that we had achieved overnight an American school. Now and then, examining a piece of sculpture, we feel instinctively that it is American through and through. But such sculpture is sure to be found embodying qualities that lie far deeper than the stratum of "theme," however intrinsically native that theme may be.

The rude forms that emerge from common field stones carved by one of our most interesting contemporaries, J. B. Flannagan, may appeal to us as more intensely a product of "place" than even Augustus Saint-Gaudens's "Puritan," which, though persuasively redolent of Colonial days, wears also the smooth "look" of the European atelier. As a matter of fact, this question of art's nationality, as I have elsewhere repeatedly noted, leads us on to very treacherous ground. Before we can have a "school" of sculpture we must doubtless have a more profoundly realized national reservoir upon which to draw. In the end one always returns to the social picture, for out of social resources and ever in obedience to social demands art with any sort of collective attributes can alone arise.

Certainly the skyscrapers have set

an American precedent that in essence is bound to challenge sculpture, academic or not, that reflects the spirit of prior times. As belonging in the vanguard of this new movement we cannot now consider such gentle nineteenth-century "idealism" as that of men like Daniel Chester French or Paul Wayland Bartlett; the "realism," very often grandiose and sometimes strangely moving, of men like George Gray Barnard; the immaculate refinement of a Herbert Adams; the artificial romance of a Frank Edwin Elwell; the "modern classicism," so called, of Frederick W. Ruckstull; the pseudo-Greek of John Donoghue, and many more. "Spiritually," let us say, such men do not inhabit the realm of the American skyscraper. More qualified to make marble and bronze and wood speak in the idiom of today (and perhaps of the future) seem sculptors like William Zorach (whose "Mother and Child" is surely one of the noblest plastic expressions of our age), Robert Laurent, Gaston Lachaise, Archipenko, J. B. Flannagan, John Storrs, Allen Clark, Isamu Noguchi, Reuben Nakian and others. Occasionally, too,

a man of the older school, like Sterling Calder, gives evidence of a capacity to keep abreast of the modern plastic tide (witness Mr. Calder's powerful "Leif Ericsson," just completed, which our government is sending over to Iceland).

After all, a generation that can show even a handful of sculptors preëminently equipped to express, in one way or another, in greater or less degree, the tempo and character of that generation is not bereft of hope. "In America," observes Mr. Zorach, "a few sculptors of real value are working, by whose work this age will be remembered when all the rest have been forgotten"; and "if great sculpture is developed in this age, it will come through individual sculptors, not in a popular movement." Perhaps for the time being at least we had better not let ourselves be too greatly troubled by Mr. Epstein's lament. And while we are about it, why not urge Jacob Epstein to come back home and help us grow up to the skyscrapers? He is, despite all these years of residence (and broil) in England, incorrigibly American still.



# The Soviet Way With the Criminal

By ARNOLD MARGOLIN

[The author of the following article was formerly a Justice of the Supreme Court of Appeals of the Ukraine. He is now a member of the Massachusetts bar.]

**E**XTENSIVE liberal reforms first began to appear in Russia during the reign of Czar Alexander II. At that time a complete change occurred in the organization of the courts, trial by jury was introduced for major crimes, and a modernized criminal procedure was instituted. These so-called "Court Statutes of 1864" established a system similar in many respects to the French judiciary and the French Code of Criminal Procedure. Nevertheless, the antiquated Russian Penal Code of 1845 remained in effect practically until the abolition of the Czarist Code by the Soviet Government in 1917. A new Russian Penal Code, adopted in 1903, resembled those of Western Europe, but only one part of the Code of 1903—that relating to crimes against the Czar and his family or against the imperial régime—was actually in effect.

The beginning of the Soviet rule in Russia was a time of civil war and chaos. No certain written law existed. The "revolutionary conscience" of the Soviet tribunals was practically the one source of law, until the Soviet Penal Code of 1922 attempted to establish a fixed procedure. When the Constitution of the Soviet Union was adopted by the Congress of Soviets in January, 1924, it became necessary to revise all Soviet codes in order to bring them into harmony with the system of government.

The newly created "Union" consisted of several Soviet republics—there are seven at the present

time—which were described by the Constitution as "possessing sovereign rights." While the Constitution provided for an omnipotent Central Executive Committee as the legislative and administrative organ of the State, and for Central Executive Committees as the Legislatures for the seven republics, each of the Soviet republics had to create its own legal codes. The Russian Socialist Federated Soviet Republic, the largest of the republics in the Soviet Union, adopted its Penal Code in 1926, a code which has been followed almost exactly in the codes adopted by the six other Soviet republics.

The Soviet interpretation of the real character of a crime and of the justification for punishment by the State differs widely from that in other civilized countries of the world. The so-called malice or the old Roman *dolus*, the "bad-will" of the culprit and his responsibility for acts committed, remain the foundation of the structure and classification of crimes in the penal codes of the Western world. A deterministic view, with denial of the existence of free will, has penetrated only into textbooks on criminology and penology. Penal codes have been based upon the belief that, as a rule, a human being is responsible for his own acts and must undergo privations and sufferings if he commits acts regarded as crimes.

The Soviet Penal Code, on the other hand, attempts to depart from the old approach to crime. Soviet jurists hold the view that no one standard of honesty is accepted by all human society. The Soviet theory is purely deterministic; all human actions are

predestined and talk about the free will of the individual is but the invention of the capitalist class. Harm and injury to the interests of the working class and to the Soviet régime, it is maintained, are the only foundation for a permanent or temporary elimination from society of persons who are guilty of such behavior. Thus the word "punishment" is omitted in the Soviet code; instead are substituted the four words: "measures of social defense." "These measures," explain Soviet jurists, commenting on the general part of the code, "do not fix as their aim revenge or punishment, and cannot have as their end infliction of physical pain or degradation of human dignity." The Soviet lawmakers consider a person who endangers the interests of the Soviet régime as nothing more than a diseased part of the State organism which must be eliminated for the sake of the whole body.

Any act directed against the Soviet régime is held as "socially dangerous" during the "transition period to communism." The Supreme Court, without making any attempt to fix the approximate duration of this period, considers it "an entire historical epoch." Questions of intent or guilt are secondary. If, by the time of trial, a concrete action which is regarded as a crime by the Soviet code has lost its dangerous character so far as the Soviet régime is concerned, then such an act does not warrant the application of "measures of social defense." Such discretionary powers in the courts convert judges into legislators *ad hoc*.

A statute of limitations in the Soviet code sets a limit to the period in which a crime can be prosecuted. In cases of "counter-revolutionary crimes," however, the application of this statute is at the discretion of the court. Moreover, "socially dangerous acts" which are not foreseen or covered by existing provisions are to be

judged by the application of other sections of the code.

Most of the "measures of social defense" are equivalent to the traditional methods of imprisonment. The old names of the Siberian *katorga* prisons and of other types of Russian prisons have been respectively changed to new names—correctional labor camps *in far regions of the Union*, and general places of seclusion. The Constitution of the U. S. S. R. did not abolish attainder, so this "measure of social defense" remains. The genuinely new measures are: (1) Declaration of being an enemy of the working people, followed by banishment from the U. S. S. R.; (2) prohibition from engaging in one or another activity or industry; (3) forced work "without taking away freedom." The first of these measures is almost never applied, as exile from Russia is not likely to be punishment to the "enemies of the working people." The last measure is not exclusive to the criminal code. Forced work "without taking away freedom" is also a feature of the Soviet Code of Labor, which establishes "labor conscription" for all citizens "in extraordinary cases." Such, for example, is a "lack in labor power for the fulfillment of most important State plans." There is no doubt that the five-year industrialization plan, as well as the collectivization of the farms, come within the category of "the most important plans."

Capital punishment is decreed in Section 21 of the general part of the Penal Code as an extraordinary measure of defense of the State against the high crimes enumerated in the special part of the code. It is pointed out in this section, as well as in the decisions of the Supreme Court, that execution is but a "temporary measure" which will be applied only until it is abolished by the Central Executive Committee of the republic. As in the entire criminal code, such measures are regarded by their authors and the Supreme Court as only for the transition period from capitalism to

communism. As the Supreme Court has declared, the society of the future will exclude the "necessity of a special power for compulsion, and, consequently, there also will be no necessity of criminal law."

The Soviet courts in theory are guided not only by the declarations of the general and special parts of the code but by "their socialistic conscience of justice." Crimes are divided into: (1) Those directed against the foundation of the Soviet régime, and (2) all other crimes. For the first group, which is regarded as most dangerous, the code in its special part states the minimum below which the courts cannot fix the degree of "social measure." For all other crimes the code establishes only the maximum of seclusion, fines, &c. To the customary series of aggravating circumstances, Section 47 adds the following: (1) If the aim of the crime is the re-establishment of the power of the bourgeoisie; (2) if the crime might even indirectly bring harm to the interests of the working class, and (3) if the crime was committed because of greedy or base motives.

The introduction of "motives" into the code has been commented upon in one of the decisions of the Supreme Court. "By nature," says the court, "man did not have such base instincts as we see in contemporary society. With the development of property, anti-social and selfish inclinations begin to develop, and the domination of capital brings them to a culmination. Base motives, from the point of view of the Soviet Criminal Code, are greed, jealousy, envy, vengeance. Dueling is regarded as base, a remnant of the feudal-gentry tradition."

The general part of the Soviet Penal Code contains progressive measures, such as conditional condemnation, suspended sentences and conditional liberation before the expiration of the term of imprisonment. Most of these, of course, are present in modern penal legislation throughout the Western World.

The ten chapters of the code's special part relate to: (1) Crimes against the State; (2) crimes against the existing régime; (3) crimes of State employes; (4) infringement of the laws separating the church from the State; (5) "economic" crimes; (6) crimes against life, health, freedom and dignity of person; (7) "property" crimes; (8) actions against rules safeguarding the people's health, social security and order; (9) crimes against military discipline; (10) maintenance of anachronistic social customs.

There are twenty sections describing possible crimes against the State and the régime for which capital punishment may be applied. Persons who have counterfeited metallic money, treasury notes or other valuable State papers, or have sold falsified currency, or have counterfeited foreign money are subject to the death penalty. Besides uprisings against the Soviet Government, any action which is directed toward the weakening of "the fundamental economic, political and national conquests of the proletarian revolution" is included in the group of counter-revolutionary crimes. "Because of the international solidarity of all laborers," one section states, "similar actions directed against laborers of any other State, though not a member of the U. S. S. R., are recognized as revolutionary." Even "sabotage," that is, "conscious non-fulfillment of definite duties, or intentionally careless fulfillment of the duties with a special purpose of weakening the power of the government," may cause infliction of capital punishment.

The "killing and intentional mutilation of cattle, also solicitation of other persons to commit such actions with the purpose of weakening the collectivization of rural husbandry or preventing its success," are regarded as crimes against the Soviet régime. The punishment or "measure" for this crime is "deprivation of freedom up to two years, with or without deportation from the locality." The Supreme Court explains that this section can

be applied only toward kulaks (well-to-do peasants), but not toward "middle-class peasants" or "poor peasants."

"Social measures" against State employes who accept bribes for acts or services which are part of their duties are mild—deprivation of freedom for not more than two years. A judge delivering an unjust sentence because of some personal interest may expect "seclusion" for a term of "not less than two years." Forgery of documents is penalized by a similarly lenient "measure." Compulsory work for one year threatens those who teach religion to minors (younger than 18 years) in the State or private schools.

The "social measure of defense" for what would correspond to first degree murder in the United States is solitary confinement for a period not exceeding ten years. Unpremeditated murder, committed as a result of the violence or serious offense of the victim, is punished by a maximum of five years, deprivation of freedom, or compulsory work up to one year. Homicide because of negligence has even a milder "measure." A corresponding valuation is established for different kinds of injuries. Printed libels on conviction may bring a penalty of compulsory work for not more than one year or a fine not exceeding 1,000 rubles (about \$500).

The mildness of "measures" applied to crimes against property surpasses the expectations even of those who anticipated extreme leniency in this field on the part of Communists. As in the old Czaristic Criminal Code of 1845, the Soviet code establishes two kinds of theft or larceny: a secret theft and an open theft—in the presence of the owner, "before his eyes." The "social measure" for a secret theft, committed for the first time, is deprivation of freedom or compulsory work for not longer than three months; recidivism brings deprivation of freedom for a period of not more than six months. Theft of electric energy is considered as a still

lesser crime; the highest "measure" in this case is but one month's deprivation of freedom. Purchase of stolen goods leads to confinement up to six months or to a fine not greater than 500 rubles (about \$250). But if the same crime is committed by a habitual criminal, a considerably higher "measure" is inflicted—up to three years of seclusion and confiscation of property.

The "measure" for open theft is seclusion for not more than one year, or if committed with violence, up to three years, and, if committed by a group, or for the second time, up to five years. The first secret theft of horses or cattle from the working agricultural population is penalized by seclusion for a period of not more than five years. Robbery, banditry and most disturbances are considered as serious crimes and under certain circumstances may bring even the application of the "highest social measure"—execution. Obviously the Soviet power applies the highest "measure" toward these crimes because they represent not only an attack on property but rebellion against Soviet authority.

Embezzlement, deceit for ulterior motives, abuse of confidence and even forgery of documents and usury are not considered as serious crimes by the Soviet code. Extortion is taxed a little higher—deprivation of freedom up to three years.

The last chapter of the special part strives to combat the old customs still prevailing among the primitive, backward racial or national groups in the population of the Soviet Union. Ransom or compensation continues to be paid in some regions by the murderer or members of his family or kin to parents, relatives or kin of murdered persons to escape revenge or legal prosecution. Still in existence, also, is the custom for bridegrooms to pay the family or kin of the bride compensation for the taking of the bride. The compulsory marriage of women or the forced con-



tinuance of the state of matrimony, bigamy and polygamy are other features which have survived in some regions of the Soviet Union. The Soviet Criminal Code evaluates these ancient customs as crimes and applies toward them fines, local deportation, seclusion or compulsory work for short terms.

The Soviet Criminal Code has abolished the old technical division of crimes into two or three categories; there are no "felonies," no "misdemeanors," or other similar subdivisions. The Soviet Code changed the old terminology for the most essential conceptions of criminal law, avoiding the use of such words as guilt, delict, punishment, revenge. The verbal Russian translation of the English word crime is "transgression," identical with the German *Verbrechen*. It has not the specific flavor of the word "crime" and does not evoke association with the conception of guilt or vice. Perhaps for that reason the Soviet legislators saw no necessity for substituting some other word for the purely mechanical, materialistic word "transgression."

The tendency of changing old terms for new ones is not characteristic of Soviet legislators alone. Many authors of modern textbooks and also of modern European codes prefer to speak of the "social danger" presented by the offender rather than of his guilt, of "measures of social defense" instead of punishment. These changes in words, however, do not manifest any real change in the es-

sence of the subjects which are christened with new names. As long as the punishment is proportionally measured by the value of the attacked object, the principle of an eye for an eye seems to continue to be the basis of punishment. As the late German criminologist Karl Binding called it, life, property and other human values are *Rechtsgüter*—legal goods—and they are protected by the law in proportion to their value. A criminal who committed a murder for the first time in his life might be, and often is, less dangerous as to his future behavior than a professional thief. Nevertheless, even the Soviet code applies to murder a higher "measure of social defense" than to repeated larcenies and other minor offenses. Even in the Soviet Union the life of an individual is considered more valuable than private property. On the other hand, the fact that minor crimes against the Soviet Government and the Soviet régime are considered as more serious than murder of private persons may be attributed to the same principle of proportional value. As the Chief State Attorney General, N. V. Krylenko, one of the Communist leaders, stated in his report delivered at the Communistic Academy in 1929, "the interests of the Collective are higher than the interests of individuals during the fight against the socially dangerous acts." The Communist party and the Soviet Government consider themselves engaged in such a fight during this "transition period."

# Significant Changes in American Population Growth

By HENRY PRATT FAIRCHILD  
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THE population of the United States recorded by the 1930 census showed a smaller percentage of increase for the preceding ten years than in any previous decade in our history, except for the period that included the World War. On the other hand, the aggregate numerical increase was considerably larger than ever before. Shall we say, then, that population growth is a less or a more significant factor in our national life?

The natural reaction of almost all of us is to deal with comparative statistics, particularly vital statistics, in terms of percentages. We think almost automatically of a large percentage as being more significant than a small one, an increasing percentage as meaning just the opposite of a diminishing percentage, and so on. We are likely even to regard a percentage as more important than figures themselves.

A percentage is, indeed, a very useful device when properly handled. It serves to reduce the relationship between two quantities, so large as to surpass comprehension, to a compact and comparable form. It is also useful in revealing trends. For example, when it is recalled that the percentage of increase in the population of this country during the decade 1820 to 1830 was 33.5, but was only 16.1 per cent during the decade 1920 to 1930, it is evident that some change of profound importance has occurred in population growth in the intervening 100 years.

But the indiscriminate use of per-

centages is likely to lead to many false conclusions, especially in their specific rôle as indicators of trends. It is easy to assume that the size of the percentage is a direct index of the significance of the trend. Thus when one considers the sharp decline in the percentage rate of population increase in the United States in the last few decades—it did not fall below 30 until 1870, nor below 20 until 1920—one may readily contend that population growth is a factor of diminishing importance.

The truth, however, is that if the percentages in question are based on an increasing element which is tending toward a fixed point, the actual numerical increase may be much more significant than the percentages. Thus the percentage increase between 1790 and 1800, 35.1, was more than twice that of the past decade. But the numerical increase of the past decade was more than twelve times as great as that of the earlier decade and more than four times the entire population of the country in 1790. If, as many authorities believe, the population of the United States will be stabilized between 150,000,000 and 200,000,000, the rate at which the remaining interval is filled is more important than a comparison with the larger percentages of increase in the past would seem to indicate.

The real importance of population growth is to be found in its relation to the area, resources, fertility and general supporting power of the region controlled by the society in ques-

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tion and to the resultant standard of living. The really vital fact about the census returns is that we are now requiring our land and our economic system to support over 17,000,000 more people than ten years ago. If this process is continued, regardless of percentage rates, in less than eighty years the country will have to provide for twice as many people as at present. On the other hand, if our population is to be stabilized at 150,000,000, the complete cessation of growth will come with a catastrophic suddenness that can hardly fail to disorganize the entire social system.

Another prevalent fallacy in the use not only of percentages but of vital statistics generally is the assumption that the phenomena and the curves constructed upon them are governed by some constant and immutable forces and factors and that the trends discovered can be counted upon to continue. Actually, vital statistics and their various graphic representations are only convenient expressions of the experience and behavior of human beings living in society. Anything that alters the conduct of these individuals will modify the statistics.

During the past decade two very important changes in behavior have occurred among the human beings who affect our census returns. The results of both are clearly reflected in the reported data. The first is the decline in the birth rate, the second the reduction of foreign immigration.

The following table shows the crude birth and death rates in the registration area of the United States during the last sixteen years:

Year.	Birth Rate.	Death Rate.	Year.	Birth Rate.	Death Rate.
1915....	25.1	13.6	1923....	22.4	12.2
1916....	25.0	14.0	1924....	22.6	11.7
1917....	24.7	14.3	1925....	21.4	11.8
1918....	24.6	13.1	1926....	20.6	12.3
1919....	22.3	12.9	1927....	20.6	11.4
1920....	23.7	13.0	1928....	19.7	12.1
1921....	24.3	11.6	1929....	18.9	11.9
1922....	22.5	11.7	1930....	18.9	11.3

From this table it is apparent that while the death rate has remained

nearly constant during the last ten years, the birth rate has fallen quite considerably. The obvious effect of a falling birth rate is to change the age distribution of the population, increasing the proportions in the upper age groups and reducing those in the lower. The percentages of the total population in the different age groups in 1920 and 1930 were as follows:

Age (Years).	1920.	1930.
All ages.....	100.0	100.0
Under 5.....	10.9	9.3
Under 1.....	2.1	1.8
5 to 9.....	10.8	10.3
10 to 14.....	10.1	9.8
15 to 19.....	8.9	9.4
20 to 24.....	8.8	8.9
25 to 29.....	8.6	8.0
30 to 34.....	7.6	7.4
35 to 44.....	13.4	14.0
45 to 54.....	9.9	10.6
55 to 64.....	6.2	6.8
65 to 74.....	3.3	3.8
75 and over.....	1.4	1.6
Unknown.....	.1	.1
21 and over.....	57.6	59.4

Thus in each of the groups up to 14 years there was a smaller proportion of the population in 1930 than in 1920. In all the higher groups there was a larger proportion, with the exception of the groups 25-29 and 30-34, a discrepancy probably accounted for by the losses of young manhood during the World War.

It is particularly striking that there were actually fewer children under 5 in 1930 than in 1920—11,444,390, as compared with 11,573,230. If this represents a trend which may be expected to continue, and which is not merely a consequence of the reduction in the age groups, 25-34, here is a definite forecast not only of a slowly growing or stationary but of a declining population. If the death rate does not change there will be fewer young people between 20 and 25 to marry and become parents in 1950 than there will be in 1940, and still fewer in each succeeding decade. Facts such as these give substance to the gloomy predictions of the alarmists, but even if a stationary or declining population is inherently a calamity—a highly debatable proposition—it does not follow necessarily that fewer babies will be born twenty-five years hence. In

the first place, scientific and medical changes may enable a larger proportion of the infants of today to reach maturity; secondly, social attitudes and sanctions may alter so as to encourage the next generation to increase its rate of fecundity. Vital statistics, of course, are merely the reflection of human behavior, and no phase of social conduct is more sensitive to environmental and social conditions than child-bearing. If the society of the future needs more children it will find ways to have them.

Another interesting feature is the marked decline in the rate of population growth among the Negroes. The percentage rate of increase for the whites was 15.7;\* that of the Negroes 13.6. Expressed in another way, the percentage of the total population classed as Negro in 1920 was 9.9; in 1930 it was less than 9.7. This decline in the proportion of the colored stock has been a constant and significant feature of American population history. In 1790 the percentage was 19.3. Since all persons with any Negro blood are classed as Negroes, the decline in the actual proportion of Negro stock must be even greater than the figures indicate.

The percentage increases of the other non-white races are somewhat startling, as this table shows:

Race.	Number		Per Cent of Increase.
	1920.	1930.	
Negro .....	10,463,131	11,891,143	13.6
Mexican .....	700,541	1,422,533	103.1
Indian .....	244,437	332,397	36.0
Chinese .....	61,639	74,954	21.6
Japanese .....	111,010	138,834	25.1
Filipino .....	5,603	45,208	706.9
Hindu .....	2,507	3,130	24.9
Korean .....	1,224	1,860	52.0
All other ....	154	780	406.5

Numerically, only three groups show a significant increase—the Mexi-

cans, Indians and Filipinos. The increase in the number of Indians may be due partly to increased precision in enumeration, though the more complete figures promised by the Census Bureau may reveal some interesting facts. The increase of Mexicans and Filipinos is of sufficient suddenness and magnitude to deserve careful consideration. Undoubtedly it is connected more or less directly with the decline in European immigration. To the extent that it represents the substitution of individuals of these races for potential European immigrants, it helps toward an understanding of the objection of certain foreign nations to our quota law and also adds weight to the arguments in favor of giving a more general scope to the quota provisions.

The decline in immigration is responsible, directly and indirectly, for a number of other important population changes. The total immigration for the decade was 4,107,209, which is considerably smaller than that of the war decade, 1911-20, and less than half the figure for the decade 1901-10. The total emigration of aliens during the last decade was 1,045,076, leaving a net immigration of 3,062,133. As a result the percentage of the total population classed as foreign-born white in 1930 was 10.9, the lowest recorded in any census year since 1850. Indeed, as the percentage of increase was only 8 per cent, the foreign-born total was virtually the same at the end as at the beginning of the decade. The increase was concentrated in the Middle Atlantic and Pacific divisions; all other divisions showed a decrease. The long, successful fight for immigration restriction has begun to show results.

Various other consequences of a secondary nature are apparent. Thus, while the native population of foreign parentage showed an increase of only 9.5 per cent, the native-born of mixed parentage increased by 20.8. Apparently, curtailment of immigration is promoting marriage between foreign-

\*An element of irregularity has been introduced into the comparison of this census with preceding ones by the fact that in 1930 the Mexicans were given a special classification instead of being included, as formerly, among the whites. The reports of the Census Bureau cover this situation by furnishing figures and percentages of increase, adjusted on the basis of a similar classification of Mexicans in 1920. These adjusted figures are used throughout this article.



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ers and natives, one of the important indices of assimilation. Similarly, the foreign-born population is approaching a more normal sex distribution. In 1930 there were 115.1 males to every 100 females in this group, as against 121.7 in 1920. Naturally, the foreign-born element is older on the whole than ten years ago. There is a diminution in the proportion of young children, while the age group 35 to 64 accounts for exactly three-fifths of the entire number. Only 15 per cent of the native whites of native parentage were included in the age group 45 to 64; 36.1 per cent, or 4,821,774 individuals, of the foreign-born white element were in this class. Obviously this enormous number of foreigners who are beyond the economic prime of life is intensifying the unemployment situation. It is one of the penalties for a too liberal immigration policy in the past.

Other encouraging indications of the progress of assimilation are afforded by the figures of citizenship, illiteracy and marital condition. Compared with 1920, the citizenship figures on the basis of percentage are as follows:

	1920.	1930.
Total .....	100.0	100.0
Naturalized .....	48.7	58.8
First papers .....	9.2	9.3
Alien .....	36.3	28.3
Unknown .....	5.8	3.5

The illiteracy of the general population, 10 years of age and over, has declined from 6.0 in 1920 to 4.3 in 1930, while the figures for the corresponding foreign-born white element show a fall from 13.1 to 9.9.

The figures of marital condition are particularly illuminating. In 1920 the percentage of unmarried in the total population, 15 years old and over, was 35.1 for males and 27.3 for females. In 1930 the corresponding figures were 34.1 and 26.4. The married percentage in 1920 was 59.2 for males and 60.6 for females; in 1930 it was 60.0 and 61.1. In both sexes there was an increase in the percentage of divorce, but as both figures

were below 1.5 per cent, the "divorce evil," to the extent that it is a reality, would seem to express itself in remarriages rather than in unmarried individuals.

This decrease in the proportion of single persons and the increase in the married illustrate a popular misconception of an elementary aspect of vital phenomena. There is a prevailing impression that we are becoming steadily a less married people. Yet the proportion of single persons has been diminishing and the proportion of married increasing continuously for at least forty years. In 1890 only 53.9 per cent of the male population was married and 56.8 per cent of the female. The decline in the rate of population growth, apparently is being accomplished not through a reduction in marriages, but through a diminished fecundity within the marriage bond. The change of the last decade is not to be accounted for by an increased "maritality" of the foreign-born. The foreign-born are very much married—in 1930 the figures were 70.8 per cent of the males and 70 of the females, and the proportion increased during the last ten years—but the figures for the native-born, both male and female, also increased.

Apparently two decades of reduced immigration—one the result of war conditions and the other of legal limitation—have produced more normal, and presumably wholesome, conditions in many departments of the national life. If the restrictive laws are maintained, subsequent censuses may be expected to show still more salutary results.

Another trend of profound social significance, which has been conspicuous in the United States as well as in other countries of western civilization, is the shift of population from the rural to the urban districts. In 1920 the urban population was 51.4 of the total and the rural 48.6 per cent, but by 1930 the figures were 56.2 and 43.8. This is an excellent illustration of the

increasing significance of a diminishing percentage. An increase of 10 per cent in the urban proportion when it is over half the total is much more significant than an increase of 100 per cent when it is only one-twentieth of the whole. The concentration of population in cities is a phenomenon of steadily growing importance. That the foreign element is sharing fully in this tendency is shown by the fact that although in 1920 75.5 per cent of the foreign-born were urban, the percentage in 1930 was 80.3.

The remarkable change in the location of the Negro population bears some relation to both the cityward drift and the decline of immigration. Nearly two-thirds of the entire increase of the Negro element during the past decade occurred in the North, which showed a percentage increase of 63.6. The percentage in the West, with a small total in any case, increased 53.1, while the increase in the South was only 5.0 per cent. The change is to be explained primarily by migration rather than by any difference in fecundity, although at present it is impossible to determine how the rates of natural increase between the North and South compare. The prevailing impression in the past has been that the North is not as favorable an environment for the increase of Negro stock as the South. If this is true, the drift of the Negroes to the North may eventually prove a means of still further reduction in their total rate of increase.

As an index of the changing character of American life, perhaps no feature of the census returns is more significant than that dealing with gainful workers. During the past twenty years there has been a continuous decline in the proportion of the population, ten years of age and over, in that class. In 1910 the percentage was 53.3; in 1920 it was 50.3 and in 1930

it was 49.5. This is undoubtedly a reflection of the tendency, characteristic of the modern industrial system, to use a continually smaller proportion of the potential labor force in its productive activities. Still more striking is the tendency to substitute female labor for male. The percentage of males, ten years and over, engaged in gainful occupations declined from 81.3 in 1910 to 78.2 in 1920, and to 76.2 in 1930. The percentage of females of corresponding ages, on the other hand, increased from 18.8 in 1900 to 21.1 in 1920 and 22.1 in 1930. (For technical reasons, the figure for females in 1910 is not comparable.) Taken in conjunction with the increase of marriage and the decline in the birth rate, these facts give us a clear picture of the typical American family as one in which the burden of breadwinning is being shifted more and more to the women, in return for a diminution in the burdens of child-bearing and child-rearing.

Changes of tremendous significance are taking place in the social and economic life and organization of the American people. Some of them are doubtless salutary. Others are fraught with difficulty if not with danger. But all alike create acute problems because of the speed with which they are occurring. The constantly accelerated rate of social change is familiar to all students of social affairs. Alterations of a magnitude that would have required generations in the Middle Ages, and centuries in a still earlier time, now occur within a decade. The strain of both social and personal adjustment becomes almost intolerable. Every deficiency in personal adjustment creates rifts in the whole social structure. Never before was there so great need of scientific social research, and of intelligent and responsible social attitudes on the part of individuals.

# The Average American and the Depression

By GERALD W. JOHNSON

*Author of "Andrew Jackson" and "Randolph of Roanoke"*

IN the mind of the average American 1931 was the year of the Great Depression, for it was in this past twelve months that it really affected us who are just ordinary people, not international bankers, not financiers of any sort, not great executives and not derelicts who are chronically on the verge of unemployment in all years. In so far as the great lords of business are concerned, the depression goes back much further. Business began to die on their hands in 1928. When the hurricane struck the stock market late in 1929, the speculators felt it first. The least efficient 10 per cent of labor were flung into the bread-line in 1930. But not until 1931 was the slump really brought home to the thrifty, hard-working and efficient element, though there were genuinely good men who were beginning to suffer in 1930, and even in 1929. Yet taking it by and large, it is true that the year 1931 was the one in which the sturdiest element of our population began to realize keenly the full seriousness of the depression.

I live in a street that, I believe, is a representative cross-section of the American middle class. A banker lives at one end of our street and a carpenter at the other. But the banker is merely a junior officer in a great financial institution, not its head, and the carpenter is just a carpenter, not a cabinetmaker. In between is an assortment of insurance solicitors, clerks, employes of a big nursery near by, and so on. Around the corner is a physician who is not one of the city's

world-renowned specialists, but merely a general practitioner. Not one of us is rich and not one of us, as yet, is dependent on the Community Fund.

The depression came to our street in 1931. We had heard a great deal of talk about it earlier, and had felt some of its effects; but it did not actually affect us until last year. And how has it affected us? Frankly, we are scared. However, we had seen it coming and had had time to brace ourselves, so that we are not exactly stampeded. We are somewhat resentful because we think the depression has been made worse than it need have been by the stupidity of our rulers; but we know very well that Mr. Hoover did not create the panic. We are to a certain extent gloomy, but we are by no means in despair. That is to say, we are persuaded that we are going to have to sweat for the next six months, but we do not believe for a moment that the hard times are going to continue for the next six years. And perhaps the most remarkable effect of all is that we are very tired of humbug.

If our street is as good a sample of America as it seems to be, our condition must be shared very generally by our class all over the country. If that is the case, it is not unreasonable to assume that the behavior of the American people in 1931 is much more significant as a revelation of the national character than in any of the earlier years of the slump. The bewilderment, the blind panic and the incredulity aroused by the first crash had had time to subside. The false hope that

it was all a flash in the pan, a mere "market reaction," had been dissipated. It was a year of stark reality, after living in a fools' paradise, and our reaction to it will unquestionably be of deep interest to future historians.

It is folly to attempt to anticipate the verdict of history, but certain characteristics of the attitude of the people in this past dismal year are so conspicuous that one can hardly misjudge them, even at this short distance. One is the relative tranquillity with which they have accepted the situation. The bread riots of 1837, with soldiers patrolling the streets of New York, have not been repeated, nor have we seen anything comparable to the Pullman strike of 1893. Still further from our present mood is the bitterness generated in 1873, which led us, three years later, to the verge of civil war; 1931 was a hard year, but it saw no bayonets, heard no firing in the streets, afforded no hint of the dissolution of our institutions, such as characterized '93, '73 and '37, the only years in which our people were subjected to a strain of equivalent intensity.

This is the more remarkable when in all the rest of the world revolution is the fashion of the day. Not only has Europe been rent and racked politically by the impact of the hard times but on this side of the Atlantic there is hardly a government left standing in Latin America as it stood before the depression began; even such comparatively stable republics as the A B C powers have not withstood the strain. But our Union is, if anything, more firmly established today than it has been at any time since 1865. The depression has, of course, its political repercussions in the United States. Mr. Garner of Texas, sitting in the Speaker's chair of the House of Representatives, is striking evidence of the fact. But the political effects in this country have been orderly. Even if the Democrats sweep the country in November, as now seems quite possible, that is an entirely different thing

from the emergence of a Hitler, not to mention a Lenin.

Optimism over this should be seasoned with caution, it is true, for our street has been feeling the full force of the depression for a much shorter time than the equivalent class in Germany felt it before Hitlerism became a serious threat. If the Democrats should win in November, and the depression should continue, then indeed the seeds of revolution might begin to sprout in our streets; but at this date it is plain to the dullest that the revolutionists have gained no following worth mentioning in this country. There has been a great outcry against the Reds, and some persons profess to be very much frightened by them; but the sober truth is that their American campaign has fallen flatter than their campaigns in any other country. To date the capitalistic system seems to be as firmly entrenched in America as the Republic itself.

At the same time, while substantial Americans—and by that is meant the great mass of families whose incomes range between \$2,500 a year and \$25,000 a year—are not cherishing any serious doubts about capitalism, they have developed a new and decidedly critical attitude toward certain details of the capitalistic system as it has been developed in this country. For one thing, the whole pantheon of their idols has been demolished. The Big Business Man, like Samson, has pulled down the pillars of the temple and it has fallen upon his own head, or if he has not pulled them down, then he certainly has failed to prop them up, and he is pretty well buried under the ruins. It will be many a long day before Americans of the middle class will listen with anything approaching the reverence they felt in 1928 whenever a magnate of business speaks. We now know that they are not magicians. When it comes to a real crisis they are as helpless as the rest of us, and as bewildered. We have discovered the dismal and faith-shattering truth that in times like these



such men as Henry Ford, Charles M. Schwab and J. P. Morgan have trouble enough in solving their own problems without attempting to rescue the whole country.

This is a genuinely painful experience, as the demolition of idols always is, for our worship of the business leaders and our faith in them had gone to inordinate lengths. Vast numbers of us actually believed the gospel of the New Economic Era, actually believed that our post-war prosperity had been created by American business men, instead of being thrust upon them by a combination of economic factors of world-wide scope. And while we believed it was their creation, we believed that they could preserve it. Apparently they had successfully controverted the gnarled and knobby truths set forth in *The Wealth of Nations* by Adam Smith in the year the Declaration of Independence was signed; and the fact that they had seemed to do so was so delightful that it was easy for us to accept it.

Now we realize that it was all illusion, that the law of diminishing returns never has been repealed and that it is as true today as it was in 1776 that what goes up must come down, no matter how many great business men of the New Economic Era decree otherwise. We are therefore less inclined than at any time since Armistice Day to listen with bated breath whenever one of the Great Men of Business unburdens his mind on any subject under heaven. Doubtless most of us are still willing to give them credit for the ability which each has demonstrated, but that is all. We admit that Henry Ford is an excellent maker of automobiles, that Charles M. Schwab is an authority when he speaks on steelmaking, and that Mr. Morgan should be listened to on matters of finance. But in 1931 it was much less thrilling than it was in 1928 to hearken to their views on art or morals or politics. Since even in their own field of business they cannot work magic, why, then, attach any impor-

tance to their ideas in other fields?

The men one met on our street in the closing days of 1931—that is, the relatively less important—had had their faith in all sorts of magic almost completely shattered. If they no longer believed that some conference of captains of industry in Wall Street would set everything right again, they had not much more faith in any other group of necromancers. The vocal element of the country, most conspicuously represented by the politicians, is splitting into two camps, one holding with Mr. Hoover when he says that the United States is a self-contained nation whose hope lies in its own “rugged individualism”; the other holding with Mr. Hoover when he says that we are victims of world-wide economic conditions beyond our control. One side or the other may prevail at the polls next November and launch the country upon a policy based upon its particular philosophy, but it is doubtful if either represents the real opinion of the great mass of us who are not involved in politics, and whose rating in Bradstreet's is too low to permit our voices to sound loudly in the business world. In the past year we have been sharply reminded that one must be respectful of facts in this world, and that the most beautiful theories seldom work out as their proponents argue.

“Rugged individualism” is a beautiful theory, and so is internationalism, but does the average American believe implicitly in either? That is highly doubtful. The average American is not the man he was three years ago. He has aged with great rapidity since that 16,000,000-share day on the Stock Exchange, and one characteristic of increasing maturity is increasing disbelief in fairy tales of any kind. We who march in the ranks of skilled workmen, small business men and undistinguished professional men are sometimes capable of astounding feats of credulity, but we are not altogether fools. Three years ago we were marching in a grand and gorgeous parade, and were more or less delirious; but

when brickbats began to fall on us, we grew sober with remarkable speed. Being quite sober now, most of us are well aware that the predicament we are in is a highly complicated one, and we do not expect a solution from any simple remedy.

There are not many perfervid optimists among us now. Business men who are barely keeping their heads above water, wage earners who count themselves lucky to be working four days a week, and white-collar men whose salaries have been cut 10 to 40 per cent are not easy converts to the gospel of the booster. The mass of substantial Americans have ceased to hope for any short or easy way out of our present difficulties. Though they are readier than they have been for many years to listen attentively to the man who can support his arguments with exact facts and figures, they have not much patience with theorists who assert that all our troubles can be cured overnight simply by proclaiming the brotherhood of man, or that the foreigners are responsible for all our woes. Buncombe was at a considerable discount as the memorable year of 1931 drew to a close.

Every newspaper reader knows that nationalism gone mad and senseless tariffs have been interfering with international trade, and thereby hampering prosperity, ever since the war, and that the United States has been somewhat addicted to both. But the average American sticks stoutly to the belief that a wilderness continental in size was not converted into the mightiest of modern nations by a race of weaklings; and that what Americans did once, surely they can do again. It seems probable, therefore, that the bulk of us do not hold with Mr. Hoover either when he asserts that we are a self-contained nation or when he asserts that we are the innocent victims of world forces completely beyond our control.

The American people, after all, participated with gusto and energy in that most extraordinary phenomenon

of our times, the unprecedented prosperity boom that came before the slump. Dabblers in the stock market between 1924 and 1928 were everywhere. In all our wide domain there was hardly a hamlet so forlorn that it had not one inhabitant who took to stock gambling; and practically every town that had as many as two automatic traffic lights had also at least one branch office of some stock-broking firm. Let no one imagine that these people are in any doubt now as to what they were doing in those days. In 1928 they probably deluded themselves into believing that they were calm and prudent investors, participating in the unexampled prosperity of the New Economic Era. But today they know they were gambling like cowboys on a spree. They know, too, that this nationwide gambling precipitated and intensified the crash; it is therefore idle to tell them that they are wholly innocent victims of something that happened in Europe, Asia, Africa, Australia and the islands of the sea. They know that they helped bring about the crash.

On the other hand, they know that our towering tariff wall rose to its greatest height with the Smoot-Hawley tariff, which was enacted just after the boom ended, but which has not so far restored prosperity or mitigated the depression. It is therefore equally futile to tell them that all we need now is to erect a still higher tariff wall.

The international debt situation with its attendant currency tangle is quite beyond the understanding of the average American. He has no special knowledge of finance. Yet he knows that our possession of half the gold in the world did not save us, so that it is hard for him to believe that squeezing more gold out of Europe will greatly assist our situation. On the other hand, the average American knows that we borrowed the money we lent to Europe during the war, that somebody has to pay it back and that if Europe does not we must.

Thus we are open to argument. There probably are reasons for making payment for Europe easier, one way or another. There certainly are reasons against canceling the debts entirely. But to assume that the majority of Americans have any clearly defined opinion as to the relative weight of these reasons is to assume altogether too much. We are open to argument, that is all—though not quite, since the bitter experiences we have gone through have produced in us a strong inclination to demand that our leaders talk sense and spend less time orating against foreigners on the one hand or in favor of a flabby internationalism on the other.

The year 1931 has been to many of us, perhaps most of us, the cold, gray dawn of the morning after. The great gambling spree is over. The first violent sickness of the reaction also is over—was over before 1931 began. That year was the period of the headache, the grim reality, the struggle to see a ray of light in inky skies. People are never at their best when they are suffering from such after-effects, and yet it seems that there is in the way Americans have met the situation a great deal of which they have no cause to be ashamed. This still refers, not to the great men of the business world, nor yet to the hoboes and their affiliated species, but to plain, ordinary Americans who in normal times work hard enough and well enough to avoid abject poverty, yet without achieving great wealth—that is, to the backbone of the country.

These people closed the year in a mood that was grim, but a long way from panicky. They are not optimistic in the sense that they view the immediate future through rose-colored glasses. As far as observation permits, they are convinced that for a considerable period times will still be hard. Not many of them cherish any great hopes of renewed prosperity by next Autumn or feel much confidence in

any of the political Mad Mullahs who are proclaiming holy wars against this, that or the other dragon of hard times.

These people, on the other hand, for all their appreciation of the unlovely realities of the situation, are not giving a thought even to the possibility of an overturn of the existing system. Many of them who have been Republicans may vote Democratic next November, but that is the full extent of their revolutionary tendencies. They have no more idea of turning communistic than they have of turning Mohammedan. For their fundamental faith in the Republic is not broken, not even seriously dented. They are anything but certain how better times will be brought about, though they know it will involve plenty of hard work, but they have no doubt that somehow the American people will overcome their difficulties and eventually regain a measure of prosperity that may not be so wild as that of the post-war era, but that will have a far sounder basis.

This, indeed, is a great tribute to the essential strength of our institutions. Let there be no mistake about the fact that this country has been made to suffer bitterly. All the bluster has been thoroughly silenced, and it plods soberly through gray days. But even so, in the very nadir of the Great Depression, it does not really doubt, it is not really fearful of the future. Under the most terrific strain to which it has been subjected since Gettysburg the Republic stands unshaken.

The great majority of Americans may be depressed and expecting to remain in that condition for some time to come. They may not be well pleased with the way business and government have been carried on, and they may not be at all sure that they know exactly how to remedy the trouble. They may be feeling dispirited. But there is one thing they are not, and that is—beaten.

# George Washington: 1732-1932

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## I—The National Hero

By THOMAS J. WERTENBAKER

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“**W**HEN children and youth hear their parents and neighbors, and all about them, applauding the love of country, of liberty, and all the virtues, habits and faculties which constitute a good citizen, that is, a patriot and a hero, those children endeavor to acquire those qualities. \* \* \* I glory in the character of Washington because I know him to be only an exemplification of the American character.” These words of John Adams explain the chief significance of Washington to Americans, not only at the time they were written but today. Washington is our ideal American. His character is lauded in schools throughout the country, in numberless addresses, in thousands of books and tens of thousands of articles. There is hardly a child above 10 years of age who has not a vivid impression of the man and what he stands for.

The United States is fortunate in having an outstanding national hero, and doubly fortunate in the elevation of that hero's character. In Switzerland William Tell, in France Joan of Arc, in Italy Garibaldi, in Russia Lenin, are the great national figures which typify the people's patriotism, but they correspond only roughly to our Washington. England and Germany are each lacking in a supreme hero.

Washington's contemporaries, on the whole, had a very just estimate of the man. His services to the country were understood and applauded. “His was the singular destiny and merit of leading the armies of his country success-

fully through an arduous war for the establishment of its independence,” wrote Thomas Jefferson, “of conducting its councils through the birth of a government, new in its forms and principles, until it had settled down into a quiet and orderly train; and of scrupulously obeying the laws through the whole of his career, civil and military, of which the history of the world furnishes no other example.” The admiration for Washington's character was equally great. His patriotism, his honesty, his unselfishness, his soundness of judgment, his patience, his courage, his tenacity of purpose were understood and admired. Those who were closely associated with him, from his slaves to his generals or the members of his Cabinet, revered him as a man, a soldier, statesman and patriot.

We sense this admiration in his choice as President of the Constitutional Convention, in the weight his advice carried in the ratifying of the Constitution, in the universal demand that he be the first President of the United States, in the nation's grief at his death. It is remarkable that Jefferson should have taken the liberty of congratulating him upon his election as President before the news of that event had reached him. “Though we have not heard of the actual opening of the new Congress,” he wrote from France, “and consequently have not official information of your election as President of the United States, yet, as there never could be a doubt entertained of it, permit me to express here my felicitations, not to yourself, but to my country.”



It is true that Washington did not escape censure and misrepresentation. At times, during the war, he was criticized for his defeats on the field of battle; later, when President, he was accused of "ridiculous pomp," of surrendering American interests to Great Britain, of overstepping the constitutional limits of his office. The Philadelphia *Aurora*, on the day of his retirement, went so far as to declare that "this day ought to be a jubilee \* \* \* for the man who is the source of all the misfortunes of our country is this day reduced to a level with his fellow-citizens." But such utterances bespoke only the violence of party passion and not the sentiment of the people, not even of the mass of Democratic-Republicans. Washington took with him into retirement the veneration and love of the nation as a whole. But this veneration was for the man and soldier rather than for the statesman. In later generations his services during his two administrations came to be better understood and appreciated, but the Washington who faded into legend was clothed in military uniform.

For the Washington legend we have to thank, or to blame, the itinerant writer and publisher, Parson Mason Locke Weems. His *Life of Washington* first recited the story of the cherry tree and similar inventions, which persisted until recent days, and were read and believed by millions of Americans. The book, which went through seventy editions, is crammed with statements which we know to be false, and Weems knew to be false. But these statements created the Washington accepted by the public for decades, the "goody-goody," "I-cannot-tell-a-lie" Washington. Not until the later years of the nineteenth century did Americans rebel against this unnatural, too perfect, lifeless picture and demand to know the man as he really was.

A bevy of historians responded. These investigators, some scientific, others amateurs, began so vigorous an

attack on the Weems image that it was eventually entirely demolished. Today the mention of the cherry-tree incident brings a smile to every face, even the face of the school child. In place of the stiff, non-human Washington emerged a real man, a very great man it is true, but a man of flesh and blood, capable of anger, elation, sorrow, love; a man who enjoyed the fox chase or a game of cards and perhaps gave way to strong language when he lost control of his naturally hasty temper. The American public was satisfied. Their hero had emerged from the ordeal of investigation unscathed; the old courageous, unselfish, patriotic, noble Washington had merely awakened into the living man.

People were somewhat bewildered, then, when still another swarm of biographers entered upon the study of Washington. These men, declaring that it was not enough to destroy the ridiculous figure created by Weems, set out to uncover Washington's innermost soul. "If we were to know his secret thoughts, ambitions, enmities," they said, "we would find him, like the rest of us, possessed of many frailties." So they made their investigations so painstaking, so searching that nothing in his life, public or private, could escape them. Every bit of correspondence, every private account, every statement of friend or neighbor, was gone over with meticulous care in their efforts to "expose" the real man.

The picture painted by these biographers is often distinctly unflattering. One tells us that Washington's "inner life was faint," that he "was vain, fond of adulation and power," that he thought in "material terms," that he lacked originality, that his honesty was tinged with shrewdness. Another tries to show him as "the romantic, amorous, love-and-laughter, restless adventurer that he was until national tragedies solemnized him and scared him into a self-protective pomposity." One would make us believe that he was in love with another man's

wife and married Martha Custis for her money. We are informed that Washington was not even a "good general" and that his mistakes were responsible for prolonging the Revolutionary War. These writers consider themselves better qualified to judge Washington than his associates and friends, as they have obtained access to documents kept secret from his contemporaries.

The real historian is at first glance inclined to ignore these "exposures" of Washington. "Of what importance are they?" it is asked. Even should they be true in the main, they do not touch the real significance of Washington's career. No one denies that he won our independence almost single-handed, that without him it would have been difficult, perhaps impossible, to create the nation and launch it upon its remarkable career. What does it matter whether his "inner life was faint," or whether he was vain or lacking in originality?

Yet these things do matter. We are dealing not only with the man who won the Revolution and put the Constitution into operation but with the great national figure around whose character Americans today shape their patriotism. We do not want that figure sullied or belittled by a group of unscientific investigators. If we set before our children, instead of the patriotic, unselfish, far-sighted, magnanimous Washington, the dancing, drinking, gambling Washington or the vain, pompous, self-interested Washington, the nation will be the poorer for it.

When we reproach these writers for their assault on the people's idol they fall back upon the plea of historical truth. "Let us get at the truth," they say, "no matter what it costs. If the heroic Washington can be preserved only by concealing the truth, then it is better that this figure should fall." When you question their facts they present a mass of evidence which has escaped other investigators, often which they themselves have dug up,

a stray letter, or a book of accounts, and so forth. Thus, they claim, their Washington, the previously unknown Washington, is based on first-hand, unimpeachable evidence.

Yet the first thing which strikes us is that each of these "real" Washingtons differs from the other. The bewildered public asks itself if the traditional figure so long loved and revered must be discarded for one less perfect, which one must be chosen? This fact points to the inherent falsity of all these new pictures, their lack of proportion. The new investigators, in their enthusiasm over their discoveries, in their anxiety to place them prominently before the public, give them an unwarranted emphasis. The long-known facts concerning Washington, the really important features of his career and character, are obscured by the emphasis placed on minor traits. No man is so great, so perfect, that he can come off unscathed from such a microscopic examination as has been made of Washington. It is remarkable that the blemishes discovered are so few and in the main so inconsequential. But these blemishes will become important if the attention of the public is fixed upon them at the expense of other and more fundamental characteristics.

There can be no objection to pictures which give us a more intimate knowledge of the real man if these pictures are drawn in correct proportion. We love to see him at work on his plantation, inspecting his cider press; superintending the erection of his gristmill; riding over his fields of wheat, tobacco, corn and rye; installing a new weaving machine; watching his men at work on a barn or a shed; we love to ride with him on his fox hunts, sit with him at his game of cards, share his excitement over a horse race, join him in his walk around the Battery when he wished to free his mind for the moment from State affairs, go with him on a fishing expedition up the Delaware. But it is un-

just to Washington, unjust to the millions of Americans who revere him as the embodiment of their patriotism, to pry into his private life and then herald abroad his every defect.

Fortunately, the American public is discriminating. They are not apt to lose sight of the really noble figure of Washington. The prime facts of his life stand out too distinctly for that. First of all, they admire his patriotism. They picture him correctly as the man who was unflinching in his resistance to the encroachments of the reactionary British Government upon American liberties, who served without pay as leader of the Revolutionary armies, who labored so incessantly to win independence, who turned his back upon the temptation to make himself dictator, who permitted no personal or local interests to influence his services for the people, who gave up reluctantly the peace and charm of Mount Vernon to direct the launching of the ship of state in 1789, whose thoughts, to his dying day, dwelt upon the means of making his country united and prosperous and great.

They admire his perseverance, his courageous tenacity of purpose amid so many obstacles and discouragements. They love to picture him saving the shattered remnants of his army by the masterly retreat across New Jersey, reviving the waning cause of the Revolution by the desperate but brilliant blows at Trenton and Princeton, encouraging his men amid the pathetic sufferings at Valley Forge; urging, imploring Congress to give him the reinforcements, the arms, the clothing, the food so greatly needed; recruiting and reorganizing his army as it melted away before the attacks of the enemy or the refusal of his men to re-enlist; struggling against the indifference, the stupidity or the selfishness of so many of his countrymen.

Nothing which has been written about Washington can shake our faith in his rigid honesty. "His integrity was most pure," said Jefferson, "his

justice the most inflexible I have ever known, no motives of interest or consanguinity, of friendship or hatred, being able to bias his decision." This is a remarkable tribute indeed from the man who resigned from the Cabinet because Washington, in one vital decision after another, had decided with his bitter opponent, Alexander Hamilton. Americans will not be influenced by the statements that Washington's honesty was tinged with shrewdness. They believe, have every right to believe, that the man was actuated in all his public and private dealings by the most rigid ideals of uprightness and honesty.

Nor can it be said with justice that Washington was without vision. That he lacked the insatiable intellectual curiosity of Jefferson or the financial genius of Hamilton is true enough, but few men of his times showed a truer insight into the future. Even during the darkest days of the Revolution he had a vision of a great, independent nation; he early foresaw the end of the Confederation and the need for a new Constitution; none more than he realized the danger of disunion arising from the difficulties in the way of commerce between the Ohio Valley and the old States; he understood well the evils of slavery and looked forward to the day of emancipation; his Farewell Address was the cornerstone of our foreign policy for a century.

As for his reputation as a General, it rests upon too firm a basis ever to be seriously shaken. It is true that he was repeatedly defeated in the field, but usually only when the odds in numbers, discipline and equipment were overwhelmingly against him. Throughout the war he was forced to play a desperate game with the cards stacked against him. Without a real government to provide men for his army, the money to pay them, the cannon and guns with which to arm them, the food and clothing necessary to keep them alive, he was expected to meet the British veterans, thoroughly disci-

plined and well armed. In a country devoid of good roads, where the ocean and its innumerable tributaries had always provided the chief means of communication, he had to contend with an enemy who usually had complete control of the water. During two short intervals only did the Americans, because of the presence of French fleets, challenge British naval supremacy, and in the second of these periods Washington struck the blow which ended the war.

Despite all his handicaps, Washington more than once planned and executed manoeuvres which would have done credit to Frederick the Great or even to Napoleon. In the victorious Yorktown campaign and in the retreat through New Jersey he displayed military qualities of a very high order; the Trenton-Princeton campaign was brilliant. To elude a superior force which threatened destruction to his army, and at the same time fall upon the enemy's line of retreat, threaten his base of supplies, defeat his reinforcements; to force him to relinquish his hold upon a large extent of territory, to effect a junction with another American army from which he had been cut off, shows real genius. It explains why the Princeton-Trenton campaign has long been studied in many European military schools, why Field Marshal von Moltke considered Washington the greatest general produced by English-speaking America.

Washington's statemanship was also of high order. As the first President of the United States a responsibility fell to his lot which was shared by none of his successors. He had to do his part, and a very important part it was, in launching the new government, breathing life into the Constitution and in giving to the office of the Chief Executive needed vigor and strength. This task he performed with rare wisdom and foresight. The Presidency is the creation in part of the Constitution, in part of the first President. It is true that in the task of lay-

ing the enduring foundations of the Union he had the services of the brilliant Hamilton, who originated some of the most important features of his program. But it was Washington who selected Hamilton as his Secretary of the Treasury and it was Washington who gave him the support without which he could have done nothing. The organization of the new government, the establishment of the bank, the creation of the Cabinet, the suppression of the Whisky Rebellion, the stand for neutrality during the French Revolutionary wars, the Jay treaty, form a record of accomplishment of the highest order.

None of the recent biographers of Washington has given us so just and true a picture of the man as that drawn by Jefferson more than a century ago. "I think I knew General Washington intimately and thoroughly," he said. "His mind was great and powerful, without being of the very first order; his penetration strong, though not so acute as that of a Newton, Bacon or Locke, and, as far as he saw, no judgment was ever sounder. It was slow in operation, being little aided by invention or imagination, but sure in conclusion. Hence the common remark of his officers, of the advantage he derived from councils of war, where, hearing all suggestions, he selected whatever was best."

\* \* \* He was incapable of fear, meeting personal dangers with the calmest unconcern. Perhaps the strongest feature in his character was prudence, never acting until every circumstance, every consideration was maturely weighed; refraining if he saw a doubt, but, when once decided, going through with his purpose, whatever obstacles opposed. \* \* \* He was, indeed, in every sense of the words, a wise, a good and a great man. His temper was naturally irritable and high-toned, but reflection and resolution had obtained a firm and habitual ascendancy over it. If ever, however, it broke its bounds he was most tremendous in his wrath.

\* \* \* His heart was not warm in its



affections, but he exactly calculated every man's value and gave him a solid esteem proportioned to it. \* \* \* It may truly be said that never did nature and fortune combine more perfectly to make a great man and to place him in the same constellation with whatever worthies have merited from man everlasting remembrance."

After all has been said, it was Washington's character which was supremely great, which was responsible for the greatness of his achievements. In the Revolution it was the trust in Washington which held to-

gether a faltering and discouraged people, which tided the country over the darkest hours, which was responsible for the eventual victory. After peace had been won it was this trust in Washington which made it possible for a disunited people to attain enduring strength and unity. There have been greater generals than Washington, greater statesmen; there has been no greater character. When the writings of his detractors have passed into obscurity his memory will remain, what it has always been, a sacred legacy to the American people.

## II—The Exponent of American Unity

By JOHN CORBIN

*Author of "The Unknown Washington"*

SO often as there is question of honoring George Washington some worthy engineer arises and claims him as one of the profession, thus honoring himself. There is even less ground for the claim than there is for the story of the cherry-tree and the hatchet, which of late has received strong confirmation. Washington's education ceased when he was 15. By that time he had mastered enough arithmetic, geometry and trigonometry to survey land; and when he was barely 16, though not yet a licensed surveyor, he earned a doubloon a day, or upward of \$8, as helper in a party that surveyed lands of Lord Fairfax in the Blue Ridge. Washington was a surveyor and doubtless a good one. But an engineer is, and was, something else again.

Yet a fact remains, the significance of which is well worth sifting. Already as a lad of 16 he was keenly interested in the trade route up the Potomac and down into the Ohio valley; throughout his later years he actively presided over a company which "canalized" the river bed as far up as the confluence of the Shenandoah, and when he died there was every prospect that it would be completed,

affording the first great trade route connecting the new West with the Atlantic seaboard. As he, himself, expressed it, his purpose was to construct "a waterway wide and smooth" over the Alleghany Mountains. Was that a project worthy of an engineer? If it was something less than that, it was also much more. Between idolators and debunkers, the present generation is in considerable confusion. I know of no episode in Washington's life which gives a deeper and truer picture of his mind and character; and, fortunately, documentary evidence has turned up of late which throws a flood of light on it. Of that by and by.

Let us begin with a glimpse or two of the alacrity and scope of his mental powers. After the successful close of the Revolution, when he was the great hero of liberal progress throughout the world, his mind immediately harked back to his dream of a waterway over the mountains. With a small party of intimate friends he made an exploring expedition among the mingled headwaters of the Potomac and the Monongahela. There he encountered a youth of 23 who was subsequently to be known as the most

brilliant Secretary of the Treasury with the exception of Hamilton—a Swiss immigrant who, like himself, was financially interested in the Western lands and their development. Albert Gallatin was lodging in the office of the surveyor of the district and, under pressure of frontier accommodations, gave up his bed to Washington, himself sleeping on the floor beneath a table. Before Washington went to bed he sat at the table “endeavoring to reduce to paper the calculations of the day.” According to one of the two accounts of the incident, both coming first-hand from Gallatin, there were others present from whom Washington was receiving information. In any case the young man became possessed of the factors in the problem and “came at once to the conclusion.” What was to be done? By nature, Washington was of the utmost dignity and reticence, and he was fresh from eight years’ command over the turbulent and undisciplined army of the Revolution. With a single glance he had been known to freeze an entire assembly. Gallatin, “after waiting some time,” rose up from beneath the table and supplied the answer. Washington’s response was “such a look as he never experienced before or since.” But that was not all. “On arriving by a slow process at his conclusion, Washington turned to Gallatin and said, ‘You are right, young man.’” Later, having made inquiries as to Gallatin’s character, he urged him to become his agent in the district. But that conclusion also was the result of a slow process.

It is difficult to overestimate either the painful deliberation of Washington’s mental powers or the boldness and the soundness of his conclusions. During the war, enthusiastic spirits in his army matured a plan for rowing across the Hudson and kidnapping Sir Henry Clinton, then in command in New York. It was a project quite feasible—and peculiarly appealing to Washington’s physical audacity and

love of adventure. But an aide of 22, who also became Secretary of the Treasury, saw the flaw in it. Then as now it was obvious that our chief reliance was not so much our own patriotism and warlike resources as the lethargy and blundering of the British. “We perfectly understand his character,” Alexander Hamilton pleaded; “and, by taking him off, we only make way for some other, perhaps an abler officer, whose character and disposition we have to learn.” One readily imagines how the heart of Washington, weighed down by the terrible responsibility of his position and the imminence of frustration and defeat, yearned toward the relief of positive action, of a brilliant exploit. But as he looked down from his 47 years and his 6 feet 3 upon the 5 feet 6 of his boyish aide, he saw that the Little Lion was right. Few moments in his crowded life can have been more wistfully pathetic, perhaps none so richly humorous to the detached observer. Certainly no British General ever suffered at his hands a deeper humiliation! In promoting his waterway wide and smooth over the Alleghany Mountains Washington made errors of immediate decision which a competent engineer would have avoided—if there had been one on the spot, which there was not. But his inspiring idea and his ultimate purpose were of a profundity which the world has been slow to realize.

What he had at heart was the permanence of the American union, and the means by which he hoped to secure it was precisely that which ultimately prevailed, though in a different manner—a cementing of East and West by all the ties of commerce and of a common idea. Without that the “Lost Cause” must certainly have triumphed, to the destruction of our national solidarity and strength.

How early he arrived at this statesmanlike concept it is difficult to say with certainty. When, as a lad of 16, he went surveying in the Blue Ridge, his elder half-brothers had long been

heavily interested in the Ohio Company which owned vast tracts on the western slopes of the Alleghanies. In order to sell the land to settlers and to develop a profitable commerce with them, easy communication was indispensable. Already the superior ease and speed of river traffic must have been borne home to his mind by the many navigable stretches of the Potomac and its tributaries. As early as 1754, when he was 22, we find him experimenting with water transportation for military stores, and three years later he urged it with success upon the British authorities. Already the need of that strength which can come only through union was clear in his mind. In 1753 he had been sent by the Virginia Council on a mission to the commander of the French forces that were occupying the region beyond the Alleghanies and he found him contemptuous of the power of the Colonies because of their lack of effective central control. His published report is a document on the need of colonial union. In 1754 his defeat at Fort Necessity was, as Governor Dinwiddie expressed it, "entirely owing" to the lack of effective cooperation. Troops from North Carolina, Maryland, Pennsylvania and New York failed to arrive or, arriving, refused to submit to a united authority.

Franklin's Albany Plan of 1754 for an American Union is generally cited as the first mile-stone in progress; but it was itself suggested by Washington's report of the year before, and the need of it found its chief illustration in the tragedy of Fort Necessity. In deeds that spoke more eloquently than words, and also in words of no mean power, Washington was the first as he was the ablest and most persistent exponent of American union.

But he was, literally, a voice crying in the wilderness. The spirit of a narrow particularism was all but universal. Men thought and spoke of their several Colonies as their "coun-

try," as their "native land"; and, of all Colonies, Virginia was the most narrowly particularist. When, primarily owing to Washington, an adequately strong central government was established under the Constitution of 1787, all his great associates and co-workers, with the sole exception of John Marshall, were revolted by the threat to State sovereignty and fell away from him—Patrick Henry, Jefferson, Madison, Monroe, George Mason, Edmund Randolph.

Certainly as early as 1770 Washington was planning his mountain waterway, for in that year he explored the headwaters of the Potomac and Monongahela, noting where they were navigable and where the portage between them was narrowest. In 1774 he planned another expedition, but was called away to the Continental Congress and the army before Boston. In 1780 the pressure of the Revolution eased for a spell and he made excuses to explore the rival route of the Mohawk Valley. It was more feasible, but he showed no trace of jealousy; and his purpose, his vision now finds explicit words: "The more communications are opened to it [the West] the closer we bind that rising world (for indeed it may be so called) to our interests, and the greater strength we shall acquire by it." But it was only as a result of the expedition of 1784—that on which young Gallatin rose up from his bed like a jack-in-the-box primed with mental arithmetic—that Washington's concept became thoroughly matured and found full expression.

The situation he had long foreseen had developed rapidly during the Revolution and was reaching a crisis. In Pennsylvania alone there were, as he notes in his diary, "at least 100,000 Souls" on the western slopes of the Alleghanies; and the banks of the Ohio for many hundreds of miles were similarly swarming. At no distant future there would be an "empire," as he called it, of many millions of sturdy and adventurous Americans

settled on land the title to which we had gained in the Revolution. But history afforded no instance of a people which remained united when separated by a mountain barrier.

In this instance there was besides a peculiar and imminent danger. For the northern part of this new "empire" the natural trade route was down the Great Lakes and the St. Lawrence, and the British not only controlled the lower reaches but, in spite of our many protests, maintained their old trading-posts throughout the region lately ceded to us. For the Central and Southern West the natural trade route was down the Ohio and Mississippi to Louisiana, still strongly held by Spain. Already "the country of Kentucke about the Falls" of the Ohio was sending flour to New Orleans, for which "the Spaniards, when pressed by want, have given high prices." Even more than a mountain barrier, a diversity of economic interest strains the bonds of racial union. At that very moment the "Western Settlers" of Pennsylvania were showing "a disposition" to secede "from the old and more interior government" in order to pursue unhampered their own economic development.

There was, however, a bright spot in the outlook. England as yet seemed blind to the future possibility of a commercial penetration and reconquest of this empire which she had lately lost, preferring to compete with American pioneers for the present profit of the fur trade. Spain likewise was pursuing the narrowly selfish policy of closing the mouth of the Mississippi to our commerce. But there could be no doubt of ultimate disaster if we failed to take bold and immediate measures.

For what ties, let me ask, should we have upon those people; and how entirely unconnected shod. we be with them, if the Spaniards on their right and Great Britain on their left, instead of throwing stumbling blocks in their way as they now do, should invite their trade and seek alliances with

them? The Western Settlers—from my own observation—stand as it were on a pivot. The touch of a feather would, almost, incline them any way. \* \* \* The way to avoid both separation or a war, happily for us, is easy, and dictated by our clearest interest. It is to open a wide door and make a smooth way for the produce of that country to pass to our markets before the trade may get into another channel.

Firm in this conviction, Washington sent a long letter to Governor Randolph of Virginia which rephrased the entries in his diary, and he ceaselessly bombarded Governors of neighboring States, members of the Continental Congress and wealthy private citizens to the same effect. One result of all this was the Mount Vernon Compact and the Annapolis Convention, the purpose of which was to induce the States bordering on the Potomac and Chesapeake to cooperate in the development and control of their joint commercial interests. As to that, both Mount Vernon Compact and Annapolis Convention were flat failures. But, as it happened, Alexander Hamilton, by the most audacious and brilliantly successful tour de force in our history—and vastly to Washington's amazement and delight—"twisted" the movement for merely local and commercial cooperation into the convention of 1787, which framed the Constitution. From this point of view our national union and strength was a by-product of the abortive movement started by Washington.

The other result of it was the Potomac Company which he organized and presided over. From private individuals it secured stock subscriptions very considerable for those times; and when these were exhausted it secured grants from neighboring States and ultimately from the national treasury. In the year after Washington's death it declared a dividend of 5 per cent; but otherwise it also proved a flat failure. By far the larger portion of the undertaking which he had proposed as "happily for us" so "easy," remained forever unaccomplished. As



an engineer Washington was a highly persuasive promoter.

Though far from "easy," however, and very far from "fortunate" for those who invested in it (including Washington), the project was perhaps not quite impossible. The richer and more enterprising State of Pennsylvania actually constructed a route, mainly by locked canal, over the Alleghanies, and this operated very profitably from 1830 until it was put out of business by the Pennsylvania Railroad. Except for the advent of steam, the Potomac - Monongahela route might possibly have been completed. The mountain crest to be surmounted was, indeed, 463 feet higher than that of the Juniata-Conemaugh route; but the handicap was largely counterbalanced by the fact that the ocean commerce of the time could ascend the Potomac as high as the present District of Columbia. The location of our Federal capital, and the "magnificent distances" of its plan, were determined by the fact that Washington expected it to be a national seaport and metropolis superior to New York and Philadelphia in both commerce and population.

The great defect of his plan was that it called for the use of the actual river bed. When the Juniata-Conemaugh route was projected, engineering skill and financial resources had become adequate to the building of a locked canal. Washington did, indeed, provide for one short canal, about the Great Falls above the Federal city. It may still be seen, the crannies in its walls affording lodgment to shrubs and vines and its bottom overgrown by thriving trees. Possibly he intended to build other canals on the steeper of the mountain slopes. But his chief reliance was upon a stream that flows swiftly in Spring and Fall, that is pitifully shallow in Summer, and that at all times is beset with rapids swirling over sunken rocks and ledges. In his wildest dreams he did not hope for more than the familiar ten-ton barges

propelled by hand-operated "setting poles"; and even these had to be drawn up river in places by mechanical power—were actually thus drawn, so far as the work was completed. In all the undertakings of his life, as varied as they were momentous, there is nothing that portrays the boldness of his mind, its imaginative quality and its incandescent passion of patriotism, so clearly as this rather ludicrous failure.

He knew the difficulty that faced him and had doubtless weighed it with all his customary caution and care. As early as 1772 Franklin had sent from London a graphic account of attempts to canalize the beds of rivers. Not yet was "the raging canawl" a joke. Even on the gentle European plains, floods burst the puny locks and raised bars across the excavated channels. And on the slopes of the Alleghanies there was the added danger of huge ice floes ceaselessly pounding and grinding. "Rivers" wrote Franklin, "are ungovernable things." Yet, in obedience to his country's need, Washington set out to govern one of the mightiest.

O! Man River had something to say about that, refusing to be put in his place by the most withering glance—or even to be brought to reason by the patience and forbearance which were the deeper source of Washington's power. Perhaps we are wrong to smile at any, the most hopeless, attempt at government on the part of the man who had led our Revolution to success in the face of the lethargy of thirteen States in Congress assembled, and who was soon to move all Virginia, for at least one critical moment, to an effort in behalf of national union and strength. But let those engineers who claim Washington as one of them say what they think of the measures to which he resorted. They will have to take my word for much of what follows against the most authoritative historians and biographers—or else consult manuscripts to which I have referred elsewhere.

For a century and more it has been reiterated that Washington intended to solve the problem of "inland navigation" by means of the steamboat invented by James Rumsey. Of itself the statement is quite plausible. In nothing is the power of Washington's imagination, its intense realism and its Americanism, more abundantly shown than in his interest in mechanical invention. In 1776 he had recognized David Bushnell's plan for a submarine to destroy the British ships as "an effort of genius," giving the inventor all necessary "money and other aids." Rumsey was a genius as great or greater. As Ella May Turner has shown in a recent most scholarly monograph, he invented the pipe boiler, preceded Fitch in actually achieving steam navigation, and when he died of a stroke in 1792 was on the eve of the commercial use of the steamboat which Fulton did not accomplish until 1807. As early as 1784 Washington became Rumsey's enthusiastic champion and liberal patron. But not with regard to steam. As he wrote to Jefferson three years later, he had in 1784 "no reason to believe that the use of steam was contemplated by" Rumsey, and that "sure I am it was not mentioned." In November, 1785, Rumsey did speak of the "application" of steam to "inland navigation"; but, as Washington says with a highly characteristic touch of quiet humor, he dismissed the idea as "an ebullition of his genius."

Rumsey's device of 1784, by means of which Washington hoped to govern Ol' Man River, was perhaps the most amazing product of American invention. In letters urging the canalization of the Potomac, he cites it repeatedly as chief reason for investing in the company he was promoting. He himself had seen a successful trial of the model. As to the precise source of the power used, he was pledged to secrecy; but he dropped a hint or two that came precious near to letting the cat out of the bag. Only "in still water" was "manual assistance" needed for

propelling the boat. In a current, as he clearly implies, it went forward *against the stream by means of power furnished by the stream*. "The counteraction being proportioned to the action, it must ascend a swift current faster than a gentle stream." The law of physics is unimpeachable; but that it is applicable to "inland navigation" would be inconceivable today if Washington had not seen the result with his own eyes.

My conjecture was that power from the downrush of water was thrown into the boat by means of paddle wheels, much as steam power was presently to be thrown outward. The boat would have to be brought to a full stop; but the process was familiar in the use of punting poles—called "setting" poles because they did precisely that. If Rumsey's boat were equipped with mechanical setting poles, force from the paddle-wheels might be exerted downward against the river bottom. But what a craft—a gigantic water-bug or surface-hopper, ascending the stream by a series of sprawling leaps!

Difficulties suggest themselves to any one who has ever punted up a rapids. The bottom is very uneven, so that the impact of the mechanical setting poles must be irregular, jerky. There are sunken boulders and ledges likely to smash poles and even paddle wheels. The "manual assistance" which, as Washington says, is necessary also for the "steerage" would have its work cut out. All this seems to have occurred to him. He protests that he can vouch for the success of the boat only in the favorable conditions under which he saw it operate, and he adds that in a swift current "there may be, and no doubt is, a point beyond which it cannot go without involving consequences which may be found insurmountable." His faith was mighty as it was wishful, but he was still fathered by that child of the hatchet and the cherry tree.

In the Library of Congress there are several hundred volumes made up

of the contents of Washington's file of letters received. Though neglected by historians and biographers, they are of the utmost importance. The heavy responsibilities that lay on Washington, abetted by his lifelong habit of caution in all matters except physical danger to himself, made his own communications extremely non-committal. With his correspondents it was far otherwise. Their part was to say what was on their minds with the utmost clarity and force. While I was searching for quite different and perhaps more important information, it occurred to me to look for letters of 1785 and 1786 from Rumsey. They were there, and Miss Turner has since published them in full, though without critical elucidation. The briefest of citations will indicate the accuracy of the above surmises. In September, 1786, a trial was made with a full-size barge or batteau carrying "about three tuns of Stone" and "nine or ten persons." Side-wheels and mechanical setting-poles are sufficiently indicated in the following:

The poles, or Shovers, was made of wood with Iron Spikes at their Lower end, to Sink them, which Spikes proved too Light, and caused the poles very frequently to Slip on the Bottom, But the great Determent was, that when a pole got a good holt on One side and not the other, it had a tendency to give Her a Heel, which would throw part of the wheel out of water, which weakened the power, and would often Loosen the foot of the pole. \* \* \* Rocks that Lye But Little under the water might break the Wheel.

Rumsey was now convinced that his mechanism could succeed only if two such craft were lashed together, thus

steading the whole and distributing the thrusts of the poles; and he does not appear to have tried this. Already his mind was ebullient with visions of steam. This new power he used to pump a jet of water out at the stern, below the surface, a method that involved much friction. But in December, 1787, as Miss Turner has shown, he made a highly successful trial on the Potomac before a crowd of witnesses, propelling a boat with many passengers for some hours at the rate of four miles an hour.

Such a steamboat did not, however, solve the problem of driving a laden barge up the swifter reaches of a canalized river. Nor is that feat possible today. Washington continued to be Rumsey's liberal patron, but he showed little interest in this new ebullience of his genius. Not until steam was used in all-land hauls by rail did it solve the great problem of enduring union between East and West. That was a full generation after Washington was in his grave.

But the vision had been his from boyhood; and, from the moment there was any possibility of a country united and strong, it burned with patriotism the most intense. As an engineer he was doubtless a promoter; but as a promoter his ultimate aim was—the words slipped often and easily from his pen—the happiness of "unborn millions" of us, his children. Of the greatness of his love there is no more striking proof than in this his one great failure. Human beings he could lead and govern to their best welfare; but today and forever Ol' Man River goes rollin' along.

### III—Washington's Writings in a Definitive Edition

By ALBERT BUSHNELL HART

*Historian, Washington Bicentennial Commission*

**S**URELY no public man in history is better known than George Washington. He has been the subject of over 400 biographies, and his diaries, letters and papers fill

thousands of printed pages. The greater part of the approximately 20,000 letters he wrote have been preserved in the original or in signed copy. About seventy mountains, bays

and rivers in the United States are named for him, not to mention uncounted streets, public buildings and educational institutions. A considerable section of the Library of Congress is devoted to his manuscripts, and another section contains his own writings and various works about him and his time.

In spite of all this, when the United States George Washington Bicentennial Commission was created by Congress in 1924, it was decided to honor the memory of the first President in such a way as to add to an understanding of him. Former commissions appointed to commemorate some event of national importance had made no significant addition to the literature and learning of mankind; the centennial of the Declaration of Independence was marked merely by a great exposition at Philadelphia, and the Louisiana Purchase Centennial at St. Louis in 1904, although it provided a series of congresses for men and women in various fields of learning, left no lasting intellectual monument.

Washington was so well and widely known that when the national commission was established it seemed not unlikely that its energies would go into the erection of a group of immense buildings to house an exposition in the conventional "centennial" manner. Acting upon an idea inspired by President Coolidge, however, the commission in its first appropriations bill asked for considerable sums for a variety of enterprises, all of which centered upon the main idea of making Washington better known. The most important of these, that upon which the greater part of the money was to be expended, was a definitive edition of Washington's writings. This work, now in preparation, will contain twenty-five or more volumes. Of the two previous editions, one, that edited by Jared Sparks, was published nearly a century ago and is far from scholarly; the other omits numerous Washington letters recently brought to light. For this new edition the whole

country has been circularized for source-material. Great libraries and dealers in manuscripts have given photostats of their documents. It will contain, also, the General Orders issued during the Revolutionary War, only a small portion of which have hitherto been printed.

This publication will render not only a remarkable service to the memory of Washington but will provide accurate material for researches by future historians. The interest of scholars, collectors and libraries in this new material will lead to the correction of many errors based on inaccurate information, and will establish for Washington his deserved reputation as a voluminous, pithy, direct, convincing writer. His style was that of his time—rather round-about, given to large words and involved constructions, but full of vigor and truthful to the last degree.

Another important historical service never performed before is the preparation of the *George Washington Atlas*. By agreement with its publishers, a forthcoming number of the *National Geographic Magazine* will contain a map showing as many of the places visited by the first President as the limits of size will permit. On a much larger scale will be maps in the *Atlas*, now being prepared under the direction of Colonel Martin, the geographical expert of the Library of Congress, with the assistance of a special committee of eminent geographers and three regional committees from New England, the Middle Atlantic region and the South. Washington himself was a good topographer, and many maps and surveys from his hand are to be reproduced, some for the first time. Much care has been taken to follow his lines of travel and of march—a very difficult task, for some roads have been since abandoned or changed in their course—and the *Atlas* will reveal the fact that many unsuspecting towns and localities were honored by Washington's presence.

There has also been built up, under



the general supervision of Sol Bloom, Representative from New York and Director of the Commission, a system of collecting and distributing all the information available concerning Washington and his contemporaries. The publications include two series of short pamphlets. The first of these is the *George Washington Pamphlets*, numbering sixteen, under the general editorship of the historian of the commission. Each is devoted to some phase of Washington's life, with such titles as "The Frontier Background," "Washington the Farmer," "Washington as a Religious Man," "Washington's Home and Fraternal Life." The second series, issued under the direction of Mrs. John Dickinson Sherman, will contain such titles as "Family Relationships of George Washington," "George Washington, the Man of Sentiment" and "The Social Life of George Washington." In addition, a bibliography of Washington has been prepared by a committee of the American Library Association as a part of the first series of pamphlets.

The commission has also prepared radio speeches, tree planting ceremonies, music, pageants, plays, books

in braille—all to make it possible for schools and social organizations, no matter how distant or how small, to plan a Washington celebration. In addition, a large office staff in the capital city takes care of an immense correspondence, answering any honest question about Washington or replying that no answer is possible. Posters are sent on request, and a handsome reproduction of one of the best portraits of the national hero is to be sent to every schoolhouse in the United States. Replicas of two famous busts have been widely distributed, Washington medals have been issued and the Postoffice Department is putting out a new series of Washington stamps.

In the eyes of the commission, a genuine Washington celebration must represent the Washington who lived and breathed, had devoted friends and bitter enemies, and took an active part in the life of the time. The commission does not foster a worship of the first President; it is satisfied to aid in making Americans of today know and appreciate the manifold Washington, great in many fields, and especially in his confidence in the American people.

# In Confirmation of Darwin

By WATSON DAVIS

Managing Editor, Science Service

WHEN Charles Darwin published his long-considered *Origin of Species* in 1859 he formulated one of those great scientific principles that eventually make their way into the stream of civilized thinking and become a part of our intellectual subconsciousness. A vast amount of progress in biology and understanding of life dates from the days when the young scientist was on board the Beagle just a hundred years ago. Since that time hundreds of his intellectual descendants have continued his work of searching for the logic and rules of nature, until today the evidence is piled mountain high in monographs, journals and museums.

One of the most recent advances in the study of evolution is the derivation of the evolutionary law which in mathematical formulation states the manner of rise of different kinds of plants and animals. This discovery was made by Dr. W. H. Longley, Professor of Biology at Goucher College, Baltimore, Md., and head of the famous Tortugas marine laboratory of the Carnegie Institution of Washington in the Gulf of Mexico. Like Darwin, Professor Longley has spent years in the study of the creatures of the sea. He has also spent several years of intensive statistical research in collecting data and developing his statement of evolution. Fitting naturally into a series of laws well known to science, his new mathematical statement of evolution rules the growth of various kinds of living organisms just as statistical relations in physics govern the actions of gases.

By this new formulation Darwin's "struggle for existence" is proved to result in an orderly progress whose outcome is absolutely predictable. "We know the law of evolution as well as we do the laws of falling bodies," Professor Longley says, explaining that the law of evolution can be expressed by a mathematical equation or plotted as a curve which looks like the sweep of a railroad track changing directions at right angles. The laborious counting of thousands of species or kinds of bats, reptiles, cacti and other great classes of living things allowed the derivation and testing of the new "kinetic theory of species." Great masses of statistics on the number of species in various genera, the geographical distribution of species in the genera of both many and few species, the dates of discovery and naming of species were analyzed in formulating the law. Professor Longley based his work on the idea that the factors involved in evolution and the way they have worked together may be inferred from the number and distribution of the species made in the process.

The law of evolution, Professor Longley explains, belongs to a family of laws in which the simplest group is that of the physical laws relating to gases. In ordinary gases the molecules are active bodies, acting upon one another by chance, but they are incapable of reproducing or changing. If the gases are glowing or "excited," then another law is needed. The units in the excited gases add variability to the properties of the simple gases. The curve of evolution is also related to the laws of population growth, in

which the units are living things, acting upon one another, capable of self-perpetuation but assumed to be non-variable. One law of population growth was developed by Dr. Raymond Pearl and associates of Johns Hopkins University during the past decade. This shows that great masses of organisms, whether human beings in the United States, yeast in a dish or fruit flies in a bottle, increase their numbers rapidly when their numbers are small, but multiply more slowly as the population grows larger, finally reaching a point of stagnation. The most complex of this family of laws is Professor Longley's newly discovered law of evolution. It deals with population of populations. It is the law of growth of genera. It is the necessary outcome of interplay of the units of a particular sort of kinetic system. It is a "glorified gas law." Darwin's hypothesis of evolution by natural selection is confirmed by the mathematical statement of evolution thus developed. It supports Darwin's origin of species and puts into statistical form the fundamental natural law that has so influenced human thought since its enunciation in 1859.

The movements and reactions of individual animals and plants, as well as the rise of species themselves, come under the influence of Darwinian evolution. This is the suggestion of Dr. Edwin G. Conklin, Professor of Biology at Princeton University. In nature there is a great overproduction of movements and reactions. Adaptations occur by the elimination of unfit reactions during the life of the individual that do not cause its death but do modify its course of life. For example, immunity to certain diseases is acquired during life. Darwin's famous principle of the elimination of the unfit is thus applied to reactions of animals and plants as well as the existence of whole kinds and species of living things. All fitness for life displayed by the living world can be explained mechanistically, Dr. Conklin believes, provided that

life is endowed with sensitivity to distinguish between good and evil situations, reproduction to perpetuate the organisms, and metabolism to convert non-living materials to the use of the living thing. Biologists generally recognize these three fundamentals of life. Dr. Conklin holds something other than mere chance or accident permeates the entire universe. He is not in sympathy with the idea of undiluted mechanistic evolution. Nor, on the other hand, is he impressed by "vitalism" or "psychism" that "no one can define or study." He suggests that something which may be called "differential sensitivity psychism" is necessary after which all evolution can be explained on the basis of the operation of mechanistic principles.

Of great interest and importance to the most recent of the stages of the evolutionary rise of life on the earth is the work that is being done in America in devising a method of dating the recent hundreds and thousands of years of history as written in the tree rings and clay banks of the North American continent. Dr. A. E. Douglas of the University of Arizona and Dr. Ernst Antevs, Swedish geologist working in America, received recently through the Smithsonian Institution the Research Corporation Awards of \$2,500 each for their successful researches in measuring the years in undated centuries of the world's past. Dr. Douglass, using tree rings as his yardsticks of time, has constructed an unbroken chronology of annual tree rings in the Southwest from the present back to 700 A. D. Tree-ring specimens for the earlier centuries of the series were gathered, with the cooperation of archaeologists, in Indian pueblo ruins. When dates were established for the tree-ring specimens, the age of the pueblos was also known. Seventy-five pueblos have thus been dated. Dr. Douglass is now working with tree-ring specimens gathered by Earl H. Morris, archaeologist, in ruins and caves of early Pueblos and late

Basket Makers. The tree rings cover 600 years of time, and do not appear to fit into the tree-ring calendar of any centuries since 700 A. D. When a piece of wood is found containing rings that overlap the eighth century and the earlier undated material, the age of the 600 rings can be told.

Dr. Antevs's researches into the passage of time go back to the ages when the great ice sheets advanced from the north and covered large portions of the earth. For measuring time in this distant era, Dr. Antevs uses the layers of clay deposited in ancient lake beds. These thin twin layers, alternating dark and light, were deposited annually in the wake of retreating glaciers. Dr. Antevs has obtained records of the clay layers, or varves, for considerable parts of the age when the North American ice sheet was dwindling from its farthest south point of advance. The ice sheet, he says, began to withdraw almost immediately after reaching its southernmost line. From Long Island, N. Y., it retreated to Hartford, Conn., then up into Vermont and New Hampshire. Tracing this retreat by examining the annual layers of clay, Dr. Antevs found that it took the ice 4,100 years to melt back 185 miles between Hartford and St. Johnsbury, Vt. Around Amherst, Mass., the ice border halted and readvanced.

The tree rings and the clay varves not only measure time but offer science excellent material for the study of long and short temperature

cycles. In clay deposits and tree-ring growth the earth recorded both rainy years and years of drought.

At the convention of the American Association for the Advancement of Science held at New Orleans during the last week of 1931, several interesting papers were read which had a bearing on the origin of the universe and of terrestrial life. Dr. Ross Gunn of the Naval Observatory expounded a new theory of the origin of the solar system. Instead of accepting the older belief that a wandering star pulled the planet-stuff from the sun, he contended that originally there was a rapidly spinning star which burst. Part of its fragments were lost, part became the sun, and the remaining particles became what we know as the planets.

At the same convention Professor William Patten of Dartmouth maintained that the ostracoderm, a scorpion-like creature which has been extinct for a billion years, is the ancestor of modern animal life. According to Professor Patten, evolution follows inexorably an original, initial pattern, with creative potentialities inherent in the pattern from the beginning. The pattern in the ostracoderms is the same fundamentally as in fishes, scorpions or men. "That pattern," he said, "is extremely intricate and variable, but the basic resemblance in innumerable details is throughout very complete, and of such a nature that it cannot be due to a mere coincidence."



# Current History in Cartoons



**THE SINKING OF THE OCCIDENT**

France, sole survivor, brings the lifeboat to safety

—Kladderadatsch, Berlin



**NOVEL WAY TO KEEP THE GOVERNMENT OUT OF BUSINESS**

St. Louis Post-Dispatch



**"WE CAN'T STOP DEBATING JUST BECAUSE WE AGREE"**

—Boston Transcript



#### THE LEAGUE OF NATIONS: MANCHURIAN SESSION

Left to Right: China (presenting pact); Russia (ready to dive in); Chairman ("In peace we hope"); Germany (with Hitler mask); France; a casual Mr. Dawes; Great Britain (slyly handing pistol to Japan)

—Anti-Japanese Association, Hangchow



#### THE "OPEN DOOR" TO CHINA

—Boston Herald



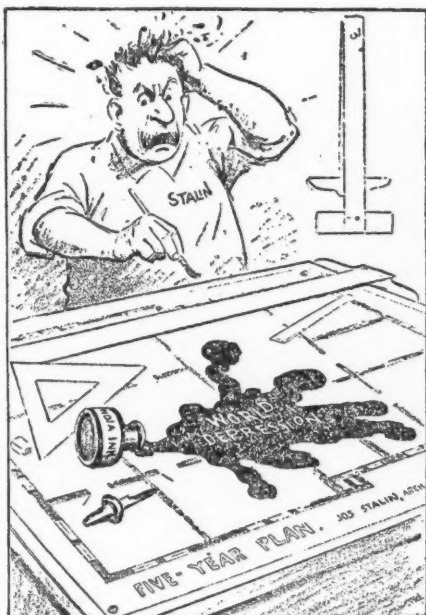
#### JAPAN "EVACUATES" MANCHURIA

—Kladderadatsch, Berlin



**FINISH OF THE FINNISH HUMPTY DUMPTY**

—New York American



**ALL OVER THE PLAN!**

—Dallas News



**THE ANIMALS COPY DISARMAMENT**

Sword Fish:: "I cannot accept parity with a hammerhead shark"

Chairman: "A vote of censure, French fashion, on the sword fish"

—11 420, Florence



**EXPERT MEDICAL EXAMINATION**  
 "It looks bad for your claims"  
 —*Boston Herald*



**HOLDING GANDHI'S BAG**  
 —*Houston Chronicle*



**THE MOURNERS**  
 —*Los Angeles Examiner*



# A Month's World History

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## The Muddle of World Finance

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By JAMES THAYER GEROULD

*Princeton University; Current History Associate*

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THE world of international finance and the European chancelleries were startled on Jan. 9 when Chancellor Bruening issued a formal statement declaring that reparations must cease. His stand was founded upon the recent report of the Young Plan Advisory Committee, which, he declared, showed that further reparations payments were impossible for Germany and ruinous for the world.

Although the Chancellor's statement was not wholly unexpected, it caused a stir. Prime Minister MacDonald announced on Jan. 10 that the German declaration made the conference at Lausanne "more necessary than ever, for it is impossible to leave things as they are." In Paris, where a reconstruction of the Cabinet was in progress, the German pronouncement caused a considerable shock. In spite of almost unanimous disapproval of the Bruening stand, the protests were not violent. Unmistakable disappointment was apparent in Paris because the latest development in the muddle of international finance seemed to meet with the approval of both London and New York.

The formal statement of Chancellor Bruening was a direct result of the report issued by the committee of financial experts at Basle on Dec. 23. For a fortnight this committee had

diligently engaged in a concerted endeavor to discover a way of dealing with the financial obligations of Germany under the Young Plan. The majority of the committee obviously recognized the necessity for broadening the scope of the inquiry so as to include a review of the entire financial situation, but the influence of France was steadily exerted to confine the discussion to the conditional annuities, and to exclude anything that might in any way imply a revision of the present plan. They were not entirely successful—the facts were too much for them. On Dec. 8, the second day of the inquiry, Dr. Melchior, the German member, outlined some of the results of the official census of her economic and financial status. The volume of short-time credits was shown to be 50 per cent greater than that estimated by the Wiggin Committee. While the balance of trade for the last six months had been favorable, the Reichsbank's coverage had fallen from 30 per cent to 12 per cent, a very dangerous ratio if the gold standard is to be maintained. His entire argument tended to prove that a cancellation of all reparation payments is necessary if economic disaster is to be avoided. The French countered with the claim that the gross short-time foreign debt of about \$3,000,000,000 is in large part offset by German holdings abroad,

which amount to about \$2,125,000,000. That there has been a flight of capital, the volume of which they are unable accurately to estimate, the Germans are quite ready to admit. They insist, however, that its total is relatively small, and that the vast majority of their foreign holdings are incidental to their foreign trade and cannot be mobilized to meet the present emergency. Dr. Homberger, the director of the German State railways, the receipts of which are a guarantee of the unconditional annuities, reported that the total of these receipts was 28 per cent less in 1931 than those of 1929, and that, including the annuity payment, the deficit for the current year was 10 per cent. A significant feature of the discussions was the attitude of the delegates of Holland, Switzerland and Sweden, who for the first time had an equal voice in the formulation of European financial policy. Though in no way responsible for the situation created by the war, they suffer from it equally with the belligerents, and they insisted on a thoroughgoing revision of the whole reparations plan.

The report, which was signed on Dec. 23, was frankly a compromise, and as such it satisfied no one. (See full text of the report on pages 701-708 of this issue.) The text is quite as important for the things it implies and leaves unsaid as for those which are clearly expressed. The Young Plan is left intact, although every implication of the report is that it must be revised. Priority of private debt payments is nowhere recommended, but it would seem a legitimate consequence of the measures proposed.

The report opens with a clear analysis of the German financial situation and of the unprecedented measures that the government has taken to meet it. During 1931 she has lost capital amounting to \$1,125,000,000. The net drain on her gold and foreign exchange was \$425,000,000. Her industry has now to pay 12 per cent for short-time loans. Out of a working population of 21,000,000 the unemployed

number 5,000,000. The burden of taxation has become so high that there is no margin for further increase. Chapter 2 deals with the crisis as it affects all Central Europe and, to a greater or less extent, the world generally. The fall in world prices has resulted in reduced purchasing power, in a decline in production, in increased unemployment and in a sharp break in the value of securities. Doubt as to the stability of banks has resulted in the withdrawal of funds and threatened the systems of currency, compelling in some countries the abandonment of the gold standard. Hoarding and the increase of tariffs, already far too high, have added to the effects of the depression and still further increased the difficulty of making international payments. During the years 1925 to 1930 the revenues of the Reich increased from \$3,650,000,000 to \$4,500,000,000, but at the same time expenditures increased from \$4,300,000,000 to \$5,200,000,000. As a consequence the public debt had grown in 1931 to \$6,500,000,000. In this connection the committee criticizes, as has been done so often before, the constitutional provision by which so large a part of the revenues of the Reich are automatically given to the States and communes for expenditure.

Notwithstanding all the disturbing figures cited, the committee holds that it may be assumed that, when normal times recur, the powerful economic equipment that Germany has created will enable her fully to meet her obligations. The emergency decrees of the last two years, which are outlined in some detail, show a "resolute desire on the part of the German Government to meet the situation."

In the final chapter, the committee expresses the opinion that, in the year following the moratorium, the government will not be able to meet the conditional payments under the Young Plan. That plan was drawn in the expectation of an expansion of world trade. We have had instead a drastic contraction, and a new situation has been created which calls for concen-

trated action on the part of the governments and "may well involve a profound change in the economic relations of nations to one another." The conclusion of the whole matter lies in the committee's recommendation that "adjustment of all reparations and other war debts to the troubled situation of the world—and this adjustment should take place without delay if new disasters are to be avoided—is the only lasting step capable of re-establishing confidence." "We appeal to the governments, on whom responsibility for action rests, to permit no delay in coming to decisions which will bring an amelioration of this grave crisis which weighs so heavily on all alike."

"For God's sake, let us meet at once," Ramsay MacDonald is reported to have exclaimed after reading the report. The arrangements were, however, by no means easy. Despite the unanimous signature of the Basle report, it is an open secret that profound differences still exist between the French and the British points of view, which the private conferences that have been going on in Paris during the last month have failed to compose. Despite the action of Congress, the British still hope for a thoroughgoing revision of European financial arrangements, while the French insist that all that can be hoped for is a limited and temporary arrangement within the framework of the Young Plan. Their veto on anything else will be decisive. The plan at this writing is that delegates of Great Britain, France, Italy, Belgium, Czechoslovakia, Greece, Japan, Poland, Portugal, Rumania and Yugoslavia are to meet those of Germany at Lausanne for a conference dealing only with reparations. It seems likely that the "plan" that will emerge will be one that will enable the European powers to bargain with the United States on a more favorable basis. Public sentiment abroad has definitely hardened against America, and many of the newspapers are openly advocating what amounts to repu-

diation of the war debt. Under the terms of the debt agreements, the debtor nations have a right, on ninety days notice, to postpone payments on the principal for a period of two years. This would relieve them at once of the immediate obligation to pay \$75,000,000, though interest charges amounting to \$195,000,000 would still be due. Should our debtors unite in a request for an extension of the moratorium to cover the interest as well, Congress will find it very difficult to refuse it.

That something substantial will be done for Germany may be taken for granted, for the financial community of interest of Europe has been demonstrated; but it may be that France will demand a political price that it will be very difficult for Germany to pay.

Another chapter in the world's financial complexities was written at Washington during December when the United States again turned its back on Europe, dissociated itself, for the time at least, from all attempts to accomplish her financial readjustment, and reaffirmed the doctrine that reparations and war debts are unrelated. This action on our part has compelled Great Britain to seek a closer alignment with France that may result in unified action on the part of Europe which we may later have cause seriously to regret.

The administration at Washington lost a golden opportunity when it failed to follow up the advantage gained in the popular approval of its action in initiating the moratorium. A re-reading of the newspaper comments in late June and July leaves little doubt that had Mr. Hoover then made the proposals contained in his message of Dec. 10, they could have been enacted with very little difficulty. His refusal to call a special session of Congress irritated its members, always jealous of their prerogative, and allowed opportunity for isolationism to reassert itself. The rider

to the resolution of approval was the result.

It was with full knowledge of the seriousness of the financial crisis abroad that Mr. Hoover wrote in his message: "It is clear that a number of the governments indebted to us will be unable to meet further payments to us in full pending recovery in their economic life. It is useless to blind ourselves to an obvious fact. Therefore it will be necessary, in some cases, to make still further temporary adjustments." He then went on to recommend the re-creation of the World War Foreign Debt Commission, "with authority to examine such problems as may arise in connection with these debts, during the present economic emergency, and report to the Congress its conclusions and recommendations." On the day following Mr. Mellon supplemented the President's recommendation by a vigorous statement, in the course of which, among other things, he called attention to the fact that because of the fall in sterling the burden of the American debt on the British taxpayer had been increased by one-half.

Payments on the foreign debt became due on Dec. 15. When it was evident that the moratorium would not be ratified before that date, the administration sought for an informal verbal agreement supporting it in assuring our foreign debtors that they "would not be subject to just criticism" should they fail to make their payments. Failing in this, it was obliged to rely on the pledges of support which it had received last June, and to assume the responsibility for making this statement. While there was never any real doubt that Congress would ratify, the debate was long and bitter. Ogden L. Mills, Under Secretary of the Treasury, was examined by the Committee on Ways and Means, and Secretary of State Stimson submitted to it a detailed statement of the circumstances under which the moratorium was proposed. The resolu-

tion was finally reported on Dec. 17 and passed the House on the following day by a vote of 317 to 100. The Senate ratified on Dec. 23 by a vote of 69 to 12. As adopted, the resolution carried an amendment reading as follows: "It is hereby expressly declared to be against the policy of Congress that any of the indebtedness of foreign countries to the United States should be in any manner canceled or reduced, and nothing in this joint resolution shall be construed as indicating a contrary policy or as implying that favorable consideration will be given at any time to a change in the policy hereby declared."

While the resolution was before the Finance Committee of the Senate a number of prominent New York bankers were called to give testimony. Charles E. Mitchell of the National City Bank, while not, as he said, "preaching any doctrine of cancellation," expressed his decided opinion that reparations, as they are now established, will never be fully paid by Germany, and that a further extension of the moratorium on the debts is inevitable. His company has handled, since the war, foreign bond issues totaling \$1,071,955,000, and has participated in syndicate operations amounting in total to \$3,260,000,000. On these issues it had a total net profit of \$24,756,003. Thus far there has been no default on any of these bonds. Thomas W. Lamont of J. P. Morgan & Co. testified that, since 1920, his company had floated issues of twelve different countries amounting to \$1,807,578,000. A very large proportion of these bonds are now held not by the banks but by private investors. That Germany will eventually be able to pay in full the loans that have been made to her is the emphatic opinion of Otto Kahn of Kuhn, Loeb & Co. Priority of payment as between governmental obligations and private loans is purely a question of expediency. Payments on the former may, by arrangement, be postponed without serious injury to na-



tional credit. Any default on the private loans, however, would immediately react on the economic life of the debtor country and make payment of the public loans impossible. Although he did not, in any sense, advocate cancellation of the war debts, he believes that arrangements for their payment should be modified in consequence of the present emergency.

#### DISARMAMENT CONFERENCE

The lucid discussion of the task of the coming disarmament conference by Professor Lindsay Rogers (see pages 629-637 of this issue) makes necessary only the briefest reference to it in this place. The American delegation is to be headed by Ambassador Charles G. Dawes, and will include Hugh S. Gibson, Ambassador to Belgium, Senator Swanson of Virginia, Norman H. Davis, President Mary E. Woolley of Mount Holyoke College, with Hugh R. Wilson, Minister to Switzerland, as alternate. Both foreigners and Americans have expressed regret that Secretary Stimson is not

a member of the delegation, but apparently he cannot be spared from Washington during the protracted sittings of the conference. Plans for the organization of the conference, which will open at Geneva on Feb. 2, have virtually been completed. They call for the formation of five commissions, the first of which, to be known as the general conference committee, will be composed of the heads of the sixty-five delegations, and will discuss the political and juridical aspects of the problem. The four others will consider respectively questions related to armies, navies, aviation and budgetary control. The five presidents of the commissions, together with the vice presidents of the conference as a whole, with Secretary General Drummond, will constitute a steering committee. The full conference will meet daily, and to it will be presented the various national proposals. These projects will be considered by the steering committee and referred to the proper commission for discussion.

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## Basle Report on German Finances

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THE following is the text of the Young Plan Advisory Committee report, complete except for the preamble and the annexes. It was signed on Dec. 23, 1931, and approved by the directors of the Bank for International Settlements on Jan. 11, 1932:

#### Chapter 1.

The circumstances in which we have been called together are so well known that no lengthy recapitulation of events is necessary. The world depression started two years ago and gradually gathered force until it broke in the Summer's credit crisis.

Every country has been shaken by that crisis, but the effects in Germany as well as in some countries of Central and Eastern Europe were devastating. Sweeping withdrawals of foreign credits led to the crippling of the German banking system,

and strained the reserve and credit position of the Reichsbank to the uttermost, so that in order to protect the currency it was necessary to impose stringent measures of exchange control which accentuated the already serious restriction in the volume of economic activity.

The pressure upon the whole structure of Germany culminated in the emergency decree of Dec. 8, 1931, which includes measures without parallel in modern legislation. The following paragraphs sketch in brief an outline of the situation which these developments created in Germany today.

Germany was peculiarly susceptible to a credit crisis by reason of the large amount of her short-term foreign liabilities. In the first seven months of 1931, Rm. 2,900,000,000 of short-term credits were withdrawn, principally in June and July. ["Rm." is the symbol for the German reichsmark, with a par value of 23.8 cents.]

The German Government census of the amount of foreign capital in Germany on

July 28 shows that the total commercial debt, in particular the amount lent at short term, was even larger than was indicated in the available figures which were submitted to the bankers' committee early in August last.

This census indicates that the total of the advances repayable by Germany at short term outstanding at the end of July amounted to nearly 12 milliards. But this figure of Rm. 12,000,000,000 includes nearly Rm. 4,000,000,000 of non-banking credits, which in all probability are not so likely to be withdrawn to the same extent as banking advances, and to a considerable extent are set off by direct counter-assets.

The standstill agreement, under which the banking creditors of Germany undertook not to call in their credits for six months as from Sept. 1, 1931, applies to rather more than half of the Rm. 12,000,000,000. The standstill agreement, however, permitted the repayment of certain credits, and under these provisions sums estimated at Rm. 1,200,000,000 have been withdrawn during the period ended Nov. 30, 1931.

Some setoff for recent withdrawals has been found in the fact that they have coincided with a growing export surplus which began at the end of 1929. The figures are as follows:

Monthly average in millions of reichsmarks, 1925-29—imports, 1,051; exports, 959; surplus of imports, 92.

Monthly average in 1930—imports, 866; exports, 1,003; surplus of exports, 137.

Monthly average, January to June, 1931—imports, 634; exports, 794; surplus of exports, 160.

Remainder of 1931—July, imports, 562; exports, 827; surplus of exports, 265. August, imports, 454; exports, 803; surplus of exports, 349. September, imports, 448; exports 835; surplus of exports, 387. October, imports, 483; exports, 879; surplus of exports, 396. November, imports, 482; exports, 749; surplus of exports, 267.

The recent heavy export surplus is in part the result of certain abnormal factors, and it is doubtful if economic conditions will permit it to continue at the same high level. Exports have been maintained partly because the need for cash has put pressure on manufacturers to sell off stocks, in many cases at a loss, while some exceptional sales have been made to Great Britain in anticipation of tariffs.

Imports have been reduced because unemployment, lower wages and high taxation have reduced the consuming power of the country, and therefore the demand for imports of consumable commodities. The general reduction of industrial activity has curtailed the demand for imports of raw and semi-finished materials, and in any case the sharp reversal in the flow of foreign credit handicaps purchases abroad.

The surplus has, moreover, been increased by the fact that up to now the world price level of the type of goods imported into Germany, viz., raw materials, foodstuffs, &c., has fallen much more than that of the type of goods exported by Germany, viz., finished products.

But it is impossible to disregard the existence of powerful general factors adverse to the continuance of this favorable development. Tariffs, exchange control measures in other countries, import restrictions and contingencies, together with the enhanced competition Germany is likely to meet through the depreciation of sterling and other currencies, all tend to hamper German exports; on the import side it will be necessary for Germany to replenish her stocks of raw materials and to purchase food from abroad.

In any case, the surplus represented by the above figures has not become immediately available to Germany in the form of foreign exchange, which can be utilized to repay debts. In view of the prevailing lack of confidence, there has been an increasing tendency to call upon Germany to pay cash for her imports, while she has had to give extended credits for her exports. In particular, German exports to Russia, which are running at about 80,000,000 reichsmarks a month, on the average of the last four months, have been made on very long credit terms. On the other hand, even exporters have been able, in spite of legal restrictions, to keep abroad part of the foreign exchange resulting from exports.

Taking the year as a whole, the extent of the exodus of capital which Germany has to meet by means of an export surplus (disregarding the qualification explained in the preceding paragraph), together with such other resources as have been available to her, is indicated by the following rough balance sheet for the year 1931:

	(Millions of Reichsmarks)
Export surplus for year (estimated) including services and deliveries in kind .....	3,000
Utilization of foreign assets of German banks .....	1,300
Rediscount and other credits, including that from central banks and the Bank for International Settlements .....	1,200
Drawn from gold, &c., reserve of Reichsbank .....	1,700
Total .....	7,200
Reparations to June 30, 1931.....	800
Interest and normal amortization on Germany's foreign liabilities (estimated) .....	1,500
Balance representing capital withdrawn .....	4,900
Total .....	7,200

An examination of the above table, which can obviously be only an estimate, as will be seen from the report of the subcommittee, shows how great a part of Germany's income from the surplus of exports has been absorbed by the amounts required for the interest and normal amortization of her foreign liabilities and for reparation payments before the Hoover plan.

The withdrawal of capital, besides exercising considerable pressure on the balance of trade, as already described,

forced Germany to have recourse not only to reserves held against their foreign liabilities by German private banks, but also to increase such credits as were commercially available by the rediscount credits granted to the Reichsbank and the Gold Discount Bank. This did not obviate heavy sales of gold, and the striking feature of this balance sheet is the drain which the withdrawal of capital has placed upon the reserve of the Reichsbank, which has profoundly influenced the policy of the latter.

The Reichsbank reserve, which stood at Rm. 2,685,000,000 at the end of 1930, and even at Rm. 2,576,000,000 at the beginning of June, 1931, had fallen to 1,610,000,000 on July 31, 1931. Of this last amount, however, it owed at short-term Rm. 630,000,000 in respect of the rediscount credits granted to it by the Bank for International Settlements and central banks, and to the Gold Discount Bank by an American banking consortium.

In order to insure that the necessary foreign exchange should be available to meet the service of Germany's long-term debt, for such repayment of short-term credits as is permissible under the standstill arrangements, and for the imports necessary to Germany, the Reichsbank has been forced to take or recommend a series of measures of increasing stringency, in order to limit to the greatest possible extent the other calls for foreign exchange which might be made upon it.

Nevertheless, the reserve has fallen still further, until on Dec. 15, 1931, it was no more than Rm. 1,161,000,000, of which Rm. 630,000,000 represent the amounts due under the rediscount credits referred to above.

The percentage cover for note issue has thus fallen to 25.6 per cent, or if the Rm. 630,000,000 be excluded to 11.7 per cent. The note circulation itself amounts to approximately Rm. 4,600,000,000, which compares with a figure of Rm. 4,300,000,000 a year ago. In view of the reduction of business activity the last year, as well as of certain measures taken to economize in the use of currency, the present note circulation is high; this may be attributed to a decrease in the velocity of circulation and to a certain tendency on the part of the public to hoard notes.

An important change in the situation is revealed by an examination of the volume of bills now held by the Reichsbank and the private banks, respectively. Before the crisis the proportion of gold and foreign exchange to the total note issue fluctuated around 60 per cent, e. g., on April 4, 1931, the Reichsbank held gold and exchange reserves of Rm. 2,526,000,000 and domestic bills of Rm. 1,520,000,000, against a total note issue of Rm. 4,340,000,000, i. e., 58 per cent of the note issue was covered by gold and foreign exchange.

At the same time the credit banks held nearly 2,900,000,000 reichsmarks of domestic bills, representing an immediately liquid asset which the credit banks held as a reserve against their deposit liabilities.

The heavy withdrawal of deposits from the credit banks during the crisis,

whether by external or internal creditors, induced the banks to seek assistance from the Reichsbank by discounting such material as they had available, and in addition creating (to some extent, with the assistance of the Acceptance and Guarantee Bank), further material for discounting with the Reichsbank.

The latter has thus to a considerable degree extended its own credit in substitution for the deposits and other credits which have been withdrawn from the credit banks, as well as from savings banks. As a result, the domestic bill holding of the Reichsbank on Dec. 15, 1931, amounted to 4,203,000,000 reichsmarks (including 542,000,000 reichsmarks of bills set aside against credits granted to the Reichsbank as referred to above), while that of the credit banks on Oct. 10, 1931 (the last available date), has fallen to 1,792,000,000 reichsmarks. In these circumstances we hesitate to express an opinion on the advisability of the recent reduction in the Reichsbank rate.

In order as far as possible to protect the external position—the reichsmark exchange and the export market—Germany has pursued a deliberate policy of stringent and sharp reduction of the level of wages and prices. The index figure of wholesale prices fell from 140 in November, 1928, to 106 in November, 1931, and prices are further to be reduced under the emergency decree of Dec. 8, 1931, while wages are reduced under that decree to approximately the level prevailing at the beginning of 1927.

Taking 1928 as 100, the index of industrial production rose to 101 in 1929, fell to 86 in 1930, and for September, 1931 (the latest figure available), it had fallen to 66—in other words, one-third of the industrial life of Germany has stopped.

This gradual atrophy of industrial and commercial activity has further increased unemployment, which was already high before the crisis. The figure of unemployed (excluding part-time workers) on Dec. 1, 1931, had reached a level of 5,000,000 out of approximately 21,000,000 employed persons.

The crisis has also seriously affected German agriculture, which in 1925 employed about 30 per cent of the working population of Germany. Having contracted debts at high rates of interest when prices were high, it now finds it difficult, if not impossible, to earn sufficient to meet the interest on these debts, and measures of protection and of financial relief, amounting almost to a moratorium, have been taken in order to prevent general collapse.

Ever since the inflation period the demand for capital in Germany, in relation to the supply from domestic sources, has kept interest rates above those prevailing in other countries. During 1930, advances to manufacturers of first-class standing seldom cost less than 8 per cent; in recent months the cost has been about 50 per cent more, i. e., rates have risen to about 12 per cent. This burden naturally imposes a heavy strain on German industry, and is one of the causes of the present decline in industrial activity.

The decline of economic activity, the



fall of profits resulting from the fall in prices, and the lower yield of the taxes on wages due to increased unemployment and lower wage rates, have seriously reduced the yield of taxation. This fall (taken in conjunction with the cost of maintaining the growing army of unemployed) has produced a critical situation in the public finances of Germany.

In the five years preceding the depression the revenue and expenditure of the Reich, the Federal States and communes showed a rapid increase. Owing to a system of taxation under which the latter received a proportion of the taxation collected by the Reich, the situation can best be shown by combining the budgets of all the authorities concerned. The figures are shown in the following table, which also gives the total expenditure of all these authorities, including expenditure covered by receipts from State property, from loans and from other sources (all figures are in millions of reichsmarks):

**Taxes raised and retained by the Reich  
(i. e., excluding tax transfers to the States).**

1926-27.....	5,312
1927-28.....	6,357
1928-29.....	6,568
1929-30.....	6,686
1930-31.....	6,634

**Taxes raised by States and Communes,  
including tax transfers from the Reich.**

1926-27.....	6,363
1927-28.....	7,189
1928-29.....	7,730
1929-30.....	7,593
1930-31.....	7,482

**Expenditures of the Reich.**

1926-27.....	6,561
1927-28.....	7,154
1928-29.....	8,375
1929-30.....	7,987
1930-31.....	8,193

**Expenditures of other authorities.**

1926-27.....	10,639
1927-28.....	1,647
1928-29.....	12,426
1929-30.....	12,836
1930-31.....	12,770

(Including contribution of railway company.)

The expenditure of the Reich includes an item for reparations which rose from Rm. 1,300,000,000 in the year 1926-27 to Rm. 1,800,000,000 in the year 1930-31, i. e., about 12½ per cent of the total tax revenue of the Reich, the States and the Communes.

The revenue receipts for 1930-31 fell considerably short of the original estimates. The position in 1931-32, in which the revenue was expected to equal that actually received in the preceding year, has rapidly deteriorated. Fresh estimates made in September, 1931, showed an estimated fall in the total receipts from taxes collected by the Reich (including amounts subsequently transferred) of not less than Rm. 1,000,000,000. It is

further estimated that the yield of taxes collected by the Reich at the rates in force prior to the recent decree will show a further fall next year of Rm. 1,000,000,000 and amount to no more than Rm. 7,250,000,000, as compared with receipts of Rm. 9,250,000,000 in 1929-30. This fall of Rm. 2,000,000,000 is after taking credit for the series of measures imposing taxation during the preceding two years, amounting to Rm. 1,500,000,000. Had the rates of taxation not been increased, therefore, the revenue would have fallen off in the last two years by some Rm. 3,500,000,000, or about 40 per cent.

It is estimated that the present decree will raise the revenue to approximately the same level as in the present year, i. e., about Rm. 8,000,000,000. Apart from the increase in taxation referred to above, attempts are being made to meet the falling off in revenue by sweeping reductions in expenditure. So far as the Reich is concerned, expenditure on all objects other than service of the debt, transfers to the Federal States, external war burdens and emergency unemployment relief, has been reduced from 1929 to 1932 from Rm. 4,780,000,000 to Rm. 3,720,000,000, i. e., a reduction of Rm. 1,060,000,000 or 22 per cent.

Measures similar in character have been taken by the Federal States and by the Communes. The latter were empowered about a year ago to increase taxation and they were asked to reduce expenditure, and in any cases where these powers have not been exercised the competent higher authority may step in to see that the necessary measures are taken. Part of the economies effected have, however, been offset by the increased cost of unemployment relief, due to the growth of unemployment in the last two years.

It has been possible to effect considerable economies in this sphere by reducing the average monthly benefit paid to the unemployed, which from a former average of Rm. 80.93 has fallen to Rm. 63.86 in 1931. Expenditure under the emergency relief system, which averaged Rm. 71 a month, has dropped to Rm. 67.5, while welfare relief payable by the Communes—varying according to the locality—may be estimated probably in the neighborhood of Rm. 50 monthly.

It is, however, an advantage from the purely budgetary point of view that the internal debt and the annual charge which it involves is comparatively very low as a result of the inflation prior to 1924, which wiped out the greater part of the previously existing debt. On the other hand, the German Government in the sketch estimate for 1932 has included a considerable sum for amortization of the short-term debt incurred to meet the deficit of previous years. This provision has been made by Germany in view of the fact that the shortage of credit is such that the government is practically unable at present to rely on borrowing in the money market in order to meet its maturing short-term obligations.

In view of the measures taken in the four decrees relating to taxation and ex-



penditure issued in the last two years, and in particular in that of Dec. 8, 1931, the committee is of the opinion that the burden of taxation has become so high that there is no margin for a further increase.

The growing stagnation in German business activity has naturally been reflected in the gross receipts of the German Railway Company, which fell in 1930 by 14.6 per cent as compared with 1929. Although energetic measures of economy were taken to meet this loss of income, the surplus of receipts over operating expenses fell from Rm. 860,000,000 to Rm. 480,000,000, i. e., Rm. 180,000,000 short of the amount necessary to cover the reparation liability. A further fall has taken place in 1931, the receipts of which are 28 per cent below those of 1929, and it is estimated that the surplus of receipts over operating expenses will amount to only Rm. 178,000,000.

In these circumstances the railway in 1931 will not be able, even after drawing upon its reserves, to cover out of earnings the liabilities incumbent upon it in respect of reparation and debt charges, though the cash position is met by the financial arrangements made between the German Government, the railway and the Bank for International Settlements in connection with the Hoover plan.

It is impossible to estimate what will be the operating results of the year 1932. Nevertheless, the subcommittee who were asked to report upon the position of the German Railway Company came to the conclusion that once Germany and the world at large had recovered their balance and returned to something like the economic conditions which we are accustomed to regard as normal, the railway company, fundamentally a sound undertaking, will be able in future years, if managed on a commercial basis, to yield a net operating surplus comparable with that earned by other big foreign railway systems.

#### CHAPTER 2—The circumstances and conditions which have led to the present situation.

The circumstances and conditions which have led to the situation we have been describing are partly international and partly peculiar to Germany.

Like all other countries, Germany has suffered from the consequences of the extreme fall of prices, which is the characteristic trait of international economic life since the end of 1929. The fall of about 30 per cent of wholesale prices in the world as a whole far exceeds in magnitude the fall in prices that has taken place in any period of depression in the last 100 years. It is impossible to say if this fall is permanent or if it will be followed, after the acute depression has passed away, by a substantial rise. What is certain is that it has deeply affected all economic activity and that no effort to maintain prices—by whatever means it may have been attempted—has hitherto attained any success.

The sharp reduction of the purchasing power of the large masses of consumers

has involved in the last two years a reduction or the complete disappearance of industrial profits, serious unemployment and an uninterrupted slump in stock exchange securities. It has threatened in consequence the status of a large number of banks; this banking crisis in its turn has provoked a general lack of confidence and involved a withdrawal of foreign capital from countries which hitherto have had the use of it, and in particular from Central Europe. It has only been possible to maintain the exchange value of the currencies of some of these countries on a nominal basis by a system of decrees regulating the exchange market and by a suspension of part of their foreign payments.

This situation has naturally aggravated the *crise de confiance* in the lending countries themselves. The abandonment of the gold standard by certain of them has created a fresh source of disturbance in international trading relations and given rise to a universal tendency to hoard, which, if it were to continue, would bring to a standstill the whole system of credit.

Finally, to this monetary crisis is now being added a tariff crisis, each country seeking to defend its diminished production against foreign imports by a fresh increase in import duties and other forms of trade restrictions, which in turn result in a still further shrinkage of international trade.

We cannot here attempt to examine all the underlying causes of this profound disturbance to the economic life of the world, but certain of its aspects are intimately linked with the problem with which we are directly concerned.

Among these factors, the banking committee which met in Basle in August had called attention to the fact that "in recent years the world had been endeavoring to pursue two contradictory policies, in permitting the development of an international financial system which involves the annual payment of large sums by debtor to creditor countries, while at the same time putting obstacles in the way of the free movement of goods," and that the case of Germany provides a most forcible illustration of this dilemma. So long as the payments to be made were offset by loans to the debtor countries this dilemma did not arise, but as soon as such capital movements ceased, as happened in the Autumn of 1929, it becomes evident that in the long run, as the Dawes committee clearly pointed out, these payments can only be made in the form of goods.

The change from a period of excessive expansion of foreign lending by certain creditor countries, followed by an abrupt cessation of such lending, constitutes one of the chief points of contrast between the period of 1924-29 and 1930-31, and has been one of the principal features in the credit situation of recent times. If barriers are imposed to the free movement of goods the world cannot readily adapt itself quickly to important changes in the course of credit and trade. Attempts to maintain the international balance of

payments by means of larger and abnormal movements of gold have weakened the monetary foundations of many countries. In fact, when the withdrawal of large sums of capital took place the gold reserves of the countries concerned proved quite inadequate to stand the strain. This led in some countries to a strict control of foreign payments and in others to the suspension of the gold standard.

Germany's demand for capital to fill the gap left by the war, the aftermath and the inflation, was very great. As a matter of fact, the influx of foreign capital which began as soon as the mark was stabilized and which was estimated by the bankers' committee to be about Rm. 18,000,000,000, has been partly offset by the Rm. 10,300,000,000 of reparation payments.

But in any case, between 1925 and 1930 Germany has invested a very large amount of capital in both private and public enterprises. She has, for example, reconstructed the merchant fleet, has modernized and rationalized many of her industries, and her towns have carried through large programs for public purposes. Figures furnished by the German delegation show for the period of 1924-29 the investment of a sum amounting to Rm. 32,845,000, of which Rm. 22,428,000 represents investments by public authorities for public utilities, housing (other than houses financed purely by private means), roads, canals, &c.

These sums have, of course, been forthcoming partly from Germany's own savings, which reached very high figures in the course of recent years. But the foreign holding of so large a proportion of her capital wealth makes her peculiarly vulnerable to financial disturbance, particularly to the extent that this capital is withdrawable at short notice.

Moreover, a substantial part of these short-term credits have proved to be immobilized in long-term investments. Withdrawal of these credits must therefore threaten not only the exchange but also the liquidity of banks themselves.

Turning to Germany's budgetary situation, the rapid development of Germany's economic activity in recent years has been paralleled by an increase of government expenditure. The continued increase of expenditure from 1925 to 1930 has absorbed as fast as it came into being the growing taxable capacity of Germany. In spite of a rapid increase in normal receipts, which increased between 1926-27 and 1929-30 from Rm. 14,719,000,000 to Rm. 18,054,000,000, the increase of expenses has been equally rapid. Indeed, they have risen from Rm. 17,200,000,000 to Rm. 20,823,000,000, and have resulted in an increase of debt. Among the expenditure items, outgoings for buildings, education and social charges (chiefly due to increasing unemployment) have continuously increased and now represent 43 per cent of the total expenditure, and amount in 1929-30 to Rm. 8,897,000,000.

While expenditure thus increased the debt grew in a disquieting fashion. When stabilizing took place, inflation had re-

duced the public debt to a very small amount. On the other hand, by 1931 this debt reached more than Rm. 24,000,000,000, of which Rm. 8,400,000,000 was for public undertakings (water, gas, electricity, transport and roads), for the building of houses and for various public works (hospitals, sanatoria, &c.). In particular, from 1928 to 1931 the debts of the States and Communes increased from Rm. 7,500,000,000 to Rm. 12,700,000,000.

When the crisis came, with the inevitable reduction of private incomes and budgetary receipts which it naturally involved, the fact that expenditure had been so high meant that the deficit was correspondingly large.

This policy of growing expenditure and also the system of financial relations which exist between the Reich, the States and Communes have often been the subject of criticism. The Reich levies taxation of which it retains part only, and of which a proportion fixed by law is automatically handed over to the States and Communes, which only cover their expenditure from their own resources to the extent of 75 per cent.

Such a system means that the control of expenditure is divorced from the responsibility of raising the revenue to meet it, and although the system may have been moderated by recent ordinances of the region, we think that reform in this matter would have beneficial results.

In concluding this analysis of the circumstances and conditions which have given rise to the present budgetary position of Germany the following observation should be made:

Notwithstanding the exceptional character of the present crisis, there is no instance in economic history of a crisis, no matter how great, which was not followed by periods of stability and prosperity. Just as it would be wrong to forecast a country's economic future on the basis of a period of prosperity, so it would be unjustifiable to judge its chances for the future on the basis of a period of depression.

At the present time the budgets of all countries and of almost all privately or publicly owned railways show a deficit. In every country efforts are being made to restore the equilibrium of these budgets by cutting down expenditure and by adjusting receipts to changed conditions. To assure that in the present case equilibrium will not be regained would be a counsel of despair.

What is true of budgets and railways of other countries is obviously equally true of Germany. In past years Germany has built up an immense and powerful economic equipment, capable of yielding a great return. The restriction of markets and the fall of prices have prevented her from utilizing this equipment to the full.

The activity of her factories is now necessarily reduced, but although it is impossible to fix a date for her recovery of stability, which is still threatened today, it is none the less certain that this sta-

bility will ultimately be restored with the help of the measures suggested in Chapter 4.

In the course of our investigations we were able to ascertain from the figures submitted to us that, as regards both railways and budget, receipts are no less elastic in the case of Germany than elsewhere.

On the other hand, it would be rash, both in the case of Germany and in the case of other countries, to presume to indicate the precise moment at which this exceptional and unfortunate period through which we are now passing will come to an end.

#### CHAPTER 3.—*Special measures taken by Germany to meet the crisis.*

In the course of its deliberations the committee had the opportunity of receiving a synopsis of the special measures taken by the German Government by form of emergency decrees, as from July, 1930, in order to meet the increasing difficulties of the situation.

The primary object of the German Government was to secure the stability of the currency and in general the functioning of the German economy within the frame of world economy. To this end they devoted all their efforts in securing the balance of the budget, not only in the Reich but also in the States and communes.

Direct taxation was augmented by two increases in the income tax; indirect, by the imposition of further heavy duties on beer and tobacco, while finally the turnover tax has lately been increased from 0.85 to 2 per cent.

Sweeping economies have been effected in the expenditure of the Reich; a series of cuts in the salaries of all servants, reducing them by over 20 per cent, has been made in the last eighteen months so that salaries will be now on a lower level than at the beginning of 1927.

Similar measures have been taken with regard to the budgets of the Federal States and the communes. The latter have been authorized, and in certain cases compelled, to levy new and additional taxation in the form of a poll tax, a local beer duty and a tax on beverages. The reductions in salaries apply also to officials employed by these bodies.

A further main point in the program of the government was the reduction of wages, while considerable reductions in the score and scale of the benefits paid by the Insurance Institute have been made.

A further main point in the program of the government was the reduction of prices and wages. Prices were generally reduced by 10 per cent. Rents are being reduced to a similar percentage. Even the rates of interest on long-term obligations must be reduced by about 25 per cent. In the sphere of wages a general reduction to approximately the level prevailing at the beginning of 1927 has to take place.

The magnitude of the crisis forced the government to emergency measures in the field of credit policy. Such measures

have been taken for supporting a series of banking institutions and for strengthening the position of the money market. A system of general control of the banks has been set up, with a commissioner responsible to a board, including representatives of the Reichsbank and of the competent government authorities.

New regulations have been made for the carrying on of the business of the savings banks and allied institutions, in particular limiting the extent to which they may finance the municipalities in the future. For the time being they are not allowed to grant them new credits. The law governing public companies has been revised and the provisions regarding the responsibility of directors sharpened, while new regulations are made regarding the auditing of accounts.

Transactions in foreign exchange have been centralized in the Reichsbank with a view to limiting the purposes for which foreign exchange may be acquired, and all purchases of foreign exchange require prior authorization. All persons becoming possessed of foreign exchange, whether by exports or otherwise, are compelled to offer their holdings to the Reichsbank. It is no longer possible to remit abroad the proceeds of sales of securities on behalf of foreigners. Stringent provisions seek to limit the flight of capital. All the above mentioned prescriptions are secured by heavy penalties (fines and prison). Repayment of foreign credits is regulated by the standstill agreement, or, if not covered by this agreement, under decree.

Finally, in order to prevent widespread collapse of agricultural credit, measures amounting practically to a moratorium for agricultural debts have been taken, chiefly for the eastern parts of Germany. Farmers suffering from special difficulties are allowed to appeal for protection against foreclosure or distraint on condition that they carry on their business under the supervision of trustees, pending approval of a scheme for relieving them of the immediate burden of their debts. Such schemes may provide for the reduction of interest rates and diminution of the capital debt, in certain cases even without the consent of creditors.

The question how far the measures described above will be successful cannot be answered at the present moment. But the committee considers that the steps taken to defend and to maintain the stability of the currency and budget show, in their opinion, a resolute desire on the part of the German Government to meet the situation.

#### CHAPTER 4—*Conclusions.*

It is evident from the facts outlined in the preceding chapters that Germany would be justified in declaring—in accordance with her rights under the Young Plan—that in spite of the steps she has taken to maintain the stability of her currency she will not be able in the year beginning in July next to transfer the conditional part of the annuity.

The committee, however, would not feel that it had fully accomplished its



task and justified the confidence placed in it if it did not draw the attention of the governments to the unprecedented gravity of the crisis, the magnitude of which undoubtedly exceeds the "relatively short depression" envisaged in the Young Plan—to meet which the "measures of safeguard" were designed.

The Young Plan, with its rising series of annuities, contemplated a steady expansion in world trade, not merely in volume but in value, in which the annuities payable by Germany would become a factor of diminishing importance. In fact, the opposite has been the case. Since the Young Plan came into effect, not only has the trade of the world shrunk in volume but the very exceptional fall in gold prices that has occurred in the last two years has itself added greatly to the real burden, not only of German annuities but of all payments fixed in gold.

In the circumstances the German problem—which is largely responsible for the growing financial paralysis of the world—calls for concerted action which the governments alone can take.

But the problem has assumed a world-wide range. We can recall no previous parallel in time of peace to the dislocation that is taking place and may well involve a profound change in the economic relations of nations to one another. Action is most urgently needed in a much wider field than that of Germany alone.

The economic interdependence of the various countries of the world today needs no further proof; recent years have most strikingly illustrated it.

Since July last, for example, it has been evident that if the crisis by which Germany has been overwhelmed were not remedied it would spread to the rest of Europe, destroy the credit system so painstakingly built up, and cause profound repercussions in other parts of the world.

The committee appointed by the Bank for International Settlements, on the invitation of the London Conference, after describing this situation in its report of Aug. 18, 1931, sounded a most emphatic note of warning, urging that if disasters were to be avoided before the period of postponement of credits recommended by that conference expires on Feb. 29, 1932, immediate steps must be taken by the governments.

But events did not wait. The year 1931 has not yet ended, and already the crisis has taken formidable dimensions, shattering the exchanges of many countries one after the other and accumulating difficulties which, if not dealt with, will only prove the forerunners of further catastrophes. Unemployment has increased; Stock Exchanges remain closed; economic activity continues with difficulty at a very low ebb in the face of restricted credit, rigid control of the exchanges and paralyzing restrictions on international trade. Slowly the effects of shrinking economic activity are making themselves felt in one country after another.

This state of things is complicated by

the repercussion of economic affairs on the political situation and vice versa. The economic decline which has taken place in the last two years, the increasing distress which it has brought in its train, have produced a general political instability from which an anxious world is suffering more and more.

Similarly, political considerations have often been allowed to influence the treatment of economic problems by the governments, thus preventing the latter from viewing these problems in their true light and from dealing with them on their merits. When governments come to examine the whole group of questions allied to the subject of the present report, they will have to take account of many matters relevant to these complex problems—which can only be solved in conformity with economic realities.

In this connection certain considerations seem to us of greater importance.

The first is that transfers from one country to another on a scale so large as to upset the balance of payments can only accentuate the present chaos. It should also be borne in mind that the release of a debtor country from a burden of payments which it is unable to bear may merely have the effect of transferring that burden to a creditor country, which, in its character as a debtor, it in its turn may be unable to bear.

Again, the adjustment of all intergovernmental debts (reparations and other war debts) to the existing troubled situation of the world—and the adjustment should take place without delay if new disasters are to be avoided—is the only lasting step capable of re-establishing confidence, which is the very condition of economic stability and real peace.

Finally, although the German Government is energetically defending the stability of its currency, steps are necessary to secure that these measures shall have a permanent effect.

The European governments during recent years have made great efforts toward re-establishing the stability of currencies after the disasters of war and post-war inflation. The destruction of this work would mean an extremely disquieting setback, which would be heavy with consequences. The maintenance of the stability of German currency, as of the currency of any debtor nation, may be placed in the greatest peril if the confidence of the investors is lost.

We appeal to the governments on whom responsibility for action rests to permit of no delay in coming to decisions which will bring an amelioration of this grave crisis which weighs so heavily on all alike.

ALBERTO BENEDEUCE, Chairman,  
DR. RUDOLF G. BINDSCHEDLER,  
H. COLIJN,  
G. DJURICH,  
E. FRANQUI,  
WALTER T. LAYTON,  
C. MELCHOIR,  
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CHARLES RIST,  
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# Congress Debates Nation's Problems

By E. FRANCIS BROWN  
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THE history of the Seventy-second Congress at the end of the first month of its work was not striking, even though more than two weeks were lost because of the holiday recess. As in other years and in other Congresses, the opening of real legislative action was delayed by an excess of oratory designed for political effect. Possibly Congressmen were somewhat awed by the magnitude of the program before them and hesitated to begin work upon it; possibly, also, there was a desire on the part of Senators and Representatives to wait until the attitude of the people toward the President's proposals for improving conditions could be ascertained.

The most pressing issue before Congress was ratification of the one-year moratorium on German reparations and intergovernmental debts. In the debates on the moratorium which were heard in both houses, the old spirit of isolationism was much in evidence—a development disheartening to many Americans who had hoped that the time was at hand for active and formal participation by the United States in European affairs. In the Senate Hiram Johnson of California was the outstanding opponent of the moratorium proposal. Representative McFadden of Pennsylvania caused a sensation in the House when, during the debate on the suspension of payments of intergovernmental debts, he virtually charged President Hoover with having “sold out” the country in proposing the moratorium. As a result of his opposition to party leadership the Representative has been excluded from postoffice patronage in his home district. Certainly before the mora-

torium was finally passed by the Senate, on Dec. 22, and signed by the President the next day, two schools of political theory had again become pronounced in Congress—the isolationists, who favor abstention from European affairs and apparently would like to develop the home markets for industrial and agricultural outlets, and the internationalists, who regard the world as a political and economic unit in which we must play a diplomatic rôle corresponding to our stake in the world's markets.

As an outgrowth of the moratorium debates the Senate Finance Committee, acting on the request of Senator Johnson, held many hearings on the foreign loans floated in the United States which bear on war debts and the moratorium. The testimony of the nation's outstanding bankers at these hearings (see article by Mr. Gerould on page 697 of this issue) served somewhat to allay the fear of the international financier which has been raised in the United States during the past year or more.

The question of reparations, war debts and private foreign debts has exercised the minds of American citizens and their representatives during the past months as never before. Senator Borah on Dec. 24 urged the abandonment of reparations as an alternative to European “bankruptcy.” Throughout the month the press of the country rang the changes on the various theories or attitudes toward this problem which has so long plagued the world. Nevertheless, in spite of the obvious interest and concern of America and Americans with the reparations muddle, the Hoover

Administration showed little interest in the plans of the European powers for a conference on reparations. In the words of Ogden L. Mills, Under-Secretary of the Treasury, "there will be no trip to Europe this Winter."

When Congress reconvened on Jan. 4 after the Christmas holidays attention was turned again to the President's plans for economic relief. Foremost in this regard was the proposal for a Reconstruction Finance Corporation which would aid the banks in resuming their normal functions by relieving them of their frozen assets. The corporation, working through the Interstate Commerce Commission, would also be able to make loans to the railroads. Hearings on the Reconstruction Finance Corporation by the House and Senate Committees on Banking and Finance were begun on Dec. 18. General approval of the plan was met on all sides, and as a result—after a special plea to Congress from President Hoover to hasten his relief measures—the bill was reported favorably to the Senate on Jan. 6. The bill provided for a corporation with a capital of \$500,000,000 and under the general direction of the government which shall be able to make loans to the banks and railroads which under present conditions are unable to obtain necessary funds.

In spite of a good deal of sound and fury about relief measures, the Reconstruction Finance Corporation alone had received attention at the end of the first month of the Congressional session. Legislation for the tax increases which are essential to overcome the constantly increasing treasury deficit has been delayed by a Democratic tariff bill. The question of the tariff was certain to be aired in this Congress. Alongside efforts for downward revision there has been lobbying, especially by representatives of copper and oil interests, for rates on particular commodities. The Democratic proposal avoids opening the entire question of tariff rates by restricting its proposals to more general

matters of policy. The bill set forth three points: transfer of the power to raise or lower rates, following reports of the Tariff Commission, from the President to Congress; appointment of "consumers' counsel" to represent the public at tariff board meetings; establishment of a permanent "international economic conference" on tariffs.

The issue of navy appropriations was reopened on Jan. 4, when Representative Vinson, the new Democratic chairman of the Committee on Naval Affairs, introduced a bill calling for a ten-year construction program at a cost of about \$616,000,000. The bill embodied essentially a plan for replacement which was worked out by the General Board, approved by Secretary of the Navy Adams, and then disapproved by President Hoover. The Vinson bill was strongly endorsed by Secretary Adams as likely to make for greater economy and efficiency in navy operation.

Meanwhile the effort to further governmental economy and to reduce expenses continued. President Hoover, it was announced on Dec. 29, would soon send to Congress a special message urging the consolidation of government departments and bureaus in the interest of both economy and efficiency. Senator Borah sponsored a more striking measure for reducing expenses—the reduction of the salaries of Federal officers with the exception of the President and members of the Supreme Court. The deficiency bill for the 1932 fiscal year, which was introduced in the House on Jan. 4, authorized total appropriations of \$125,886,262—\$13,443,900 less than the budget estimate recommended by President Hoover.

At the opening of Congress President Hoover sent to the Senate nominations for many important posts. Among them was the name of Robert Lincoln O'Brien to be chairman of the Tariff Commission in place of Henry P. Fletcher, who resigned in November.

### THE POLITICAL OUTLOOK

Although party conventions are only six months away and the national election is due in ten months, it is hard to discover any great interest in the country over political prospects. President Hoover's unpopularity with a large part of the electorate is evident, but much can happen to alter fickle public opinion before the election. His renomination by the Republicans, in spite of some dissentient voices, seems assured. Under the direction of Horace Mann of Tennessee, the leader of the Hoover campaign in the South in 1928, an anti-Hoover Republican organization has been formed, but its real strength is unknown. On Jan. 4 an editorial in Ruth Hanna McCormick's paper, the Rockford (Ill.) *Register Republic*, urged that the Republican party abandon its traditional policy of renominating a Republican President and begin to seek out "the best man in the United States."

At a meeting of the Republican National Committee in Washington in mid-December it was decided to convene the party's national convention at Chicago on June 14. Although President Hoover was reported to be hopeful of a party victory in next November's elections, the party leaders did not share his optimism. Some went so far as to say that "only the most grievous mistakes by the Democrats" could guarantee Republican success at the polls. Certainly the election on Jan. 5 of a Democratic Representative at a special election in the rock-ribbed Republican stronghold of New Hampshire was discouraging.

The probable candidate of the Democratic party still remains in doubt. Whether Governor Roosevelt of New York has maintained his early lead as the party's most likely standard-bearer is disputed among his followers and the supporters of other contenders for the nomination. The candidacy of Newton D. Baker, Secretary of War in the last Democratic Administration, has been advanced by

Martin L. Davey, a former Ohio Representative. The Baker candidacy has also been approved by the Richmond (Va.) *News-Leader*. None of these possible candidates has announced any interest in the nomination, although Mr. Baker made what many regard as a declaration when he wrote recently: "The movement which suggests a Presidential candidacy for me is based upon the need of a revived liberalism and a refreshed idealism in the country. To that cause I am deeply committed and for it I want to fight. Whether carrying a banner or marching in the ranks seems to me to make little difference." Alfred E. Smith, the Democratic candidate in 1928, and still party leader, is regarded in some circles as a possible candidate, but this position is one which lacks confirmation.

On Jan. 7 at a dinner in Baltimore, Governor Albert C. Ritchie's candidacy for the Democratic nomination was announced.

The Democratic convention is to be held at Chicago, beginning June 27, and in the same auditorium in which the Republicans will choose their candidate and draw up their platform.

### THE PROHIBITION ISSUE

The prohibition issue which has been lost sight of somewhat during the past six months of economic trouble has reappeared in the halls of Congress. Representative John Q. Tilson of Connecticut offered a constitutional amendment to the House on Dec. 15 which would permit each State to enact a liquor law of its own, although barring forever the old-time public saloon. A fortnight later Representative Rainey, majority leader in the House and a dry, announced that there would be only one vote on the prohibition question in the House this session. The Wet forces, he declared, could not have both a roll-call on a referendum on the Eighteenth Amendment and a ballot on the return of light wines and beer. Meanwhile hearings had been arranged before the Senate Judiciary Committee on pro-

hibition repeal and measures for modification. Whether prohibition would play an important part in the 1932 campaign no one can tell. At least on the Democratic side voices have been heard proclaiming that "bread, not beer," will be the principal campaign issue. Interest in prohibition does not seem to be as keen as even a year ago—possibly because of the hard times in the country, or because people have become accustomed to the existing methods of obtaining all the liquor they desire—or can afford—and hesitate to advocate a change which might disturb their present habits.

#### THE NATION'S BUSINESS

The many surveys of the nation's business which were inspired by the new year, resembled somewhat the whistling of a small boy to keep up his courage. Although leaders of industry and of banking placed themselves on record as expecting economic recovery during 1932, they hastened to admit that the present situation gave little support to these expectations. Indices of business activity continued their downward trend during December; the weekly index of *The Annalist* moved with only slight irregularity downward during the year, from 77 for the week ended Jan. 3, 1931, to 63.7 for the week ended Dec. 19. Car-loadings, once considered so certain an indication of business conditions, totaled 581,733 for the week ended Dec. 19—31,801 cars less than for the preceding week and 132,132 cars below the figure for the same week in 1930. Other indices tell a similar story. Nevertheless, business leaders in the face of their disastrous prophecies of better times during the past two years ventured to be optimistic, and it may well be that, even as in earlier periods of economic disturbance, forces are in operation which may slowly restore the nation to the normal life of trade.

Although bank failures during November declined to 169, as compared

with 522 in October, a discouraging note crept into the situation in December and early January, when New England's banking structure, which heretofore had withstood the strain, began to give way. On Dec. 14 the Federal National Bank of Boston was closed, and as a result of either connection with the Federal National or because of heavy withdrawals fifteen other banks in New England closed their doors within the next four days. On Jan. 2 the City Bank and Trust Company of Hartford, Conn., with more than \$20,000,000 in deposits, closed its doors and caused two smaller banks to suspend.

During the period between Jan. 1, 1921, and Sept. 30, 1931, according to the annual report of J. W. Pole, Controller of the Currency, 8,000 banks failed in the United States. In the year ended Oct. 30, 1931, 2,342 banks failed with aggregate deposits of \$2,008,729,000. But these failures for the most part involved small institutions; during the decade 1921-1931 60 per cent of the banks which were closed had a capital of \$25,000 or less. Senator David I. Walsh, in an address before the Massachusetts State Democratic Committee on Jan. 2, declared that there are \$2,000,000,000 of frozen assets in the closed banking institutions of the United States and \$100,000,000 in Massachusetts alone.

Meanwhile, hoarding, which became a dangerous complication to the financial situation in the late Summer and early Fall, apparently has been checked. Although on Nov. 30 money in circulation amounted to \$5,534,557,200—\$874,000,000 more than a year ago—this total was \$6,000,000 less than in the previous month.

Business failures in November totaled 1,997, as compared with 2,348 in October and 2,004 in November, 1930. Liabilities involved amounted to \$123,384,613, compared with the October total of \$508,251,432. The figures for December were not available on Jan. 4, but apparently the extreme



pessimism during the Fall which was partly responsible for many of these failures had passed sufficiently to alleviate the situation.

The foreign trade of the United States declined \$2,379,000,000 during 1931, according to a recent bulletin issued by the Bureau of Foreign and Domestic Commerce. Exports fell \$1,418,000,000 and imports \$961,000,000. This decrease in foreign trade reflected an equivalent falling off in domestic business. Exports during November fell to \$193,000,000—\$11,895,000 less than in October. Imports in November reached the lowest point for any month since August, 1915, with a total value of \$150,000,000. The largest actual dollar decline for the year was in exports to Canada, which showed a decrease of 39 per cent, or \$208,834,000.

The condition of agriculture which has for so long been a particular problem of American economic life has been and continues to be critical. During 1931 the money income of American farmers declined 26 per cent from the figure for the previous year and 42 per cent below the total for 1929. Yet according to a report on Dec. 31 from the Department of Agriculture the total volume of crops and live stock sold or consumed in 1931 was about 2 per cent above average.

#### *DISTRESS OF THE RAILROADS*

The railroads, whose distress has had a far-reaching effect on the nation, continued during December to struggle out of the engulfing quicksands of the depression. Constantly decreased income has caused the passing of dividends and an amazing depreciation of railroad securities. As a result three general demands have been put forth by the roads: higher rates, reduction of employees' wages and, in one form or another, government aid. Higher freight rates were granted by the Interstate Commerce Commission on Dec. 24, and in spite of customary rules for tariff changes, the rates became effective on Jan. 4,

1932. The increase in rates, it was hoped, would add to railroad income between \$100,000,000 and \$125,000,000 annually. The income from these increased rates, it will be recalled, is to be pooled and made the basis for loans to financially weak roads. (See January CURRENT HISTORY, pages 579-580). On Dec. 22 it was announced that the Class I carriers of the nation had assented almost unanimously to the plan for establishing a railroad credit corporation for the administration of the fund resulting from the new freight rates.

The movement for a 10 per cent wage cut of railroad workers proceeded during December. The management committee of the Railway Presidents' Association was expected to meet the Railway Labor Executives' Association early in January to negotiate a wage cut. Meanwhile, the presidents of the nation's roads had decided on Dec. 19 to seek a 15 per cent cut instead of the 10 per cent previously asked for. On many roads wages already have been reduced by 10 per cent, although these cuts have usually not affected strongly organized workers.

The Interstate Commerce Commission recommended in its annual report, issued on Dec. 10, that Congress enact legislation which will strengthen the roads in their competitive position. The recommendations of the Commission reinforced the stand taken by President Hoover in his annual message. In Congress on Dec. 10 two bills relating to the railroads were introduced: a Senate resolution proposed the study of railroad relief measures and means to aid unemployment among railroad employes; a bill introduced in the House proposed full governmental control over railroad consolidations through an amendment to the Transportation act of 1920 which would bring railroad holding companies under the control of the Interstate Commerce Commission. Daniel Willard, president of the Balti-

more & Ohio, testified on Dec. 21 before the Senate Subcommittee on Banking and Currency that railroad financing would be most difficult during the next few years unless the roads are able to borrow from the government. In a report to the Interstate Commerce Commission on Jan. 5, Leo J. Flynn, one of its examiners, recommended either federal regulation of all public motor vehicles, or modification of the anti-trust laws so that the railroads could acquire bus and truck lines now operating.

#### *PLIGHT OF AMERICAN CITIES*

One phase of the nation's financial crisis which has received little public attention is the plight of some American cities and, it is rumored, a few of the States. Chicago's financial difficulties have long been in the limelight, but the city took a step nearer bankruptcy when on Dec. 31 a court decision held invalid the county assessment rolls for 1928 and 1929. Fraud and political manoeuvring have prevented the collection of taxes for several years. As a result bonds have been defaulted by various local governments of the Cook County area, and city employes of Chicago have been constantly uncertain of their salaries. Philadelphia has also experienced financial stringency and in December was saved from paying its employes with scrip only by last-minute refinancing. Detroit recently has found itself in a critical state. In comparison with the condition of these cities is the city of Milwaukee, which has paid its bills, spent large sums on unemployment relief and at the end of 1931 expected to have \$4,000,000 in the bank. Yet the difficulties in which cities have found themselves is in itself unrelated to the depression; rather is it another chapter in the long-drawn-out story of municipal misgovernment.

#### *UNEMPLOYMENT RELIEF*

Unemployment and its attendant relief measures occupied the minds of many citizens during the December

holidays. The American Federation of Labor, estimating unemployment at 7,000,000, declared in its monthly survey on Dec. 18 that no improvement could be expected for at least a year, especially as continued improvements in plant efficiency were increasing technological unemployment. Although early in December Matthew Woll, vice president of the American Federation of Labor, declared that labor is opposed to unemployment insurance, a few weeks later Edward F. McGrady, the federation's legal representative, testified before a subcommittee of the Senate Committee on Manufactures in favor of Federal aid to alleviate unemployment suffering. He declared that workers had lost nearly one-third of their 1929 income during the past year—a loss estimated to be between \$18,000,000,000 and \$20,000,000,000.

The drives for relief funds in the cities of the United States were on the whole successful, but the great sums raised are apparently insufficient. In New York City the Emergency Unemployment Relief Committee raised over \$18,000,000; yet William Hodson, executive director of the Welfare Council of that city, has declared that "relief \* \* \* is on what might be called a disaster basis" and that adequate work can be done only with the aid of Federal funds. Similar testimony was given before the La Follette subcommittee of the Senate Committee on Manufactures by Allen T. Burns, director of the Association of Community Chests. Governor Pinchot of Pennsylvania, testifying before the same committee on Jan. 4, declared himself in favor of Federal aid for unemployment.

#### *OUR ISLAND DEPENDENCIES*

Although Secretary of War Hurley's report on the Philippines had not been made public on Jan. 5, he had confirmed rumors that it would not recommend immediate independence. Meanwhile, bills have been introduced in Congress providing for

the independence of the islands, and the Filipino mission now in the United States has stated that its aim is independence and not autonomy.

In the islands themselves three factors have caused a good deal of unrest: the economic depression and resulting low prices for staple crops; abuses by landlords, to which are joined usury and political terrorism; and agitation by Communists and other dissatisfied elements. On Dec. 10 an attempt was made by the Tangulan Society, an organization of Communists and fanatical Philippine patriots, to attack Manila and overthrow the government. The plot came to nothing, although a general roundup of suspicious characters followed and 154 members of the Tangulan Society were arrested and charged with sedition.

Dwight F. Davis on Jan 9 handed to President Hoover his resignation as Governor General of the Philippines. The resignation was accepted and the President immediately sent to the Senate the name of Theodore Roosevelt, Governor of Porto Rico, as the successor to Mr. Davis.

The Virgin Islands which came into public notice at the time of President

Hoover's visit some time ago, again were "news" in December when the islanders decided to petition Congress for a five years' respite from the prohibition laws in order to restore their economic system. Governor Pearson, who recently was denounced by the St. Thomas Chamber of Commerce, has declared that the economic decline of the islands began while they were still under Danish rule. In late December Governor Pearson left for the United States to present a petition to Congress for the permanent exemption of the Virgin Islands from the United States shipping laws. Such action, it was hoped, would aid in restoring to St. Thomas its former place as a coaling station and port of call.

#### THE NOBEL PEACE PRIZE

The Nobel Peace Prize for 1931, it was announced on Dec. 10, has been awarded jointly to two Americans—Miss Jane Addams of Chicago and Dr. Nicholas Murray Butler, president of Columbia University. Professor Halfdan Koht of the Nobel committee declared that both recipients of the prize have spent their lives "in trying to raise the ideal of peace in their people and in the whole world."

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## Mexico's New War on the Church

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By CHARLES W. HACKETT

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MEXICO was profoundly stirred by the religious question during December. What has been described as "the most important and significant series of Catholic festivities ever staged in Mexico" began on Dec. 1 with the official opening of the celebration of the 400th anniversary of the reported miraculous appearance of the Virgin of Guadalupe

to a lowly Indian, Juan Diego, at the village of Guadalupe, three miles from Mexico City. The initial ceremonies consisted of the formal reopening of the Basilica of Guadalupe, which has recently undergone repairs costing \$800,000, thus making it one of the finest structures of its kind in the Western World, and the recrowning of the Virgin with a crown of precious

stones, valued at \$250,000, which was removed in 1926 during the church and State crisis. These ceremonies were participated in by two Archbishops, including the Papal Delegate, ten Bishops and the entire clergy of Mexico City; they were witnessed by more than 5,000 persons in the church.

The celebration at the Basilica of Guadalupe inspired bitter criticism from *El Nacional*, the organ of the National Revolutionary (government) party, and also punitive action by the government. Front page editorials and interviews attacking the clergy and the church featured the edition of the newspaper on Dec. 13, and the Army Headquarters Band was dismissed by Minister of War Calles because it had given an unauthorized concert at the Basilica the day before. Three days later the dismissal of all employees of the National Statistical Department who had shared in or contributed to the ceremonies at Guadalupe was ordered by Melchior Ortega, head of that department.

Bitter attacks on the church and certain government departments because of the celebration at Guadalupe were made by members of the Senate and the Chamber of Deputies on Dec. 15. Jávier Sánchez Mejorado, executive president of the Mexican National Railways, was charged with responsibility for the unprecedentedly low rates on the railroads to Mexico City because of the celebration, and Minister of the Interior Téllez was charged with being unduly tolerant of alleged unlawful and subversive Catholic propaganda. Demands were made in the Chamber of Deputies that the Mexican revolutionary government, now in power, be swept clean of all members of the Knights of Columbus and that an investigation be made of the government department which permitted the broadcasting of some of the services at Guadalupe. The same day Minister of Foreign Affairs Estrada took occasion to assert: "Since the church was disestablished in Mex-

ico the clerics have been the enemies of all liberal and revolutionary doctrines." Foreign diplomats who attended the ceremonies at Guadalupe were reported on Dec. 15 to be planning to explain officially that they had been present at the Guadalupe ceremonies purely as a matter of courtesy.

Senator Eliazar del Valle on Dec. 16 was expelled from the National Revolutionary bloc of the National Congress for having allowed his residence to be adorned by the papal colors during the festival at Guadalupe. The same day a resolution of the bloc demanded that Finance Minister Montes de Oca explain why a grand organ, recently installed in the Basilica of Guadalupe, had been imported from Germany without the payment of customs duties. Two days later (Dec. 18) the Chamber of Deputies was requested to adopt a vote of censure against Francisco López Cortés, Governor of Oaxaca, because his wife had participated in the festivities at Guadalupe. A grand jury investigation of charges that Governor Leónides Andreu Almazán of Puebla was guilty of "pro-Catholic and anti-revolutionary sentiments and acts" was demanded in a resolution passed in the Chamber of Deputies on Dec. 22.

The anti-clerical sentiment aroused by the Guadalupe celebration apparently crystallized into a definite Congressional program when, on Dec. 22, a bill was passed by the Chamber of Deputies which limits the number of priests who may officiate in the Federal District and the Territory of Lower California to one for every 50,000 inhabitants. The same day the bill was unanimously approved by the Senate and sent to President Ortiz Rubio for his signature. The law, by providing that a priest for every 50,000 inhabitants will be permitted to serve in only one church, limits to twenty-four both the number of priests and the number of churches in Mexico City, which has an estimated population of 1,200,000. More



than 200 churches were being used in Mexico City when the law was passed. The authority for the law is found in Article 130 of the Constitution, which gives each State and the Federal District the right to restrict the number of priests to those needed for serving their congregations.

An additional restriction on the influence and activities of the clergy in Mexico was imposed by a Presidential decree of Jan. 2. This forbids the Department of Public Instruction to recognize credits of students from secondary religious schools.

A protest against the limitation of the clergy was made to President Ortiz Rubio on Dec. 23 by Archbishop Pascual Díaz of Mexico City, who insisted that the Mexican Congress is not empowered to limit the priests to a smaller number than is actually needed to minister to each community, and that the prescribed number is ridiculously inadequate. The law went into effect on Dec. 30. At the same time a Presidential decree stated that churches now in use over and above the number specified in the law might be kept open and used by the people under certain conditions.

Charged with violating the new religious law, three priests were arrested and imprisoned in Mexico City on Dec. 31 and subsequently were fined 500 pesos each. The same day Enrique Romero Courtada, Secretary General of the Department of the Federal District, made the following announcement: "Effective immediately: No priest, unless he satisfies the mandate of the law, will be permitted to exercise any function in connection with his ministry."

A legal effort to block application of the new regulation was begun by Catholics on Jan. 2 when five petitions for *amparos*, or restraining orders, against the enforcement of the law were presented in as many district courts by five priests; the petitions, however, did not constitute a formal filing of actions, but were presented merely for the judges to study.

The restriction of the number of priests who may officiate in churches is not new in Mexico. The State of Vera Cruz began the movement last Summer, when the number of priests for that State was limited to thirteen, or one for approximately every 100,000 inhabitants. Later the State of Chiapas, with a population of 350,000, restricted the number of its priests to nine, and the State of Yucatán, with a population of 400,000, reduced the number of priests to thirty-two. More recent legislation affecting the clergy passed by Mexican States includes the following: The State of Chihuahua late in November limited its priests to one for each 9,000 inhabitants, thereby permitting about forty altogether; the State of Morelos on Dec. 26 imposed a tax of 300 pesos (\$150 at par) on each clergyman, regardless of his religion. Dispatches of Dec. 26 stated that restrictive measures against clergymen had been passed by the States of Tamaulipas and Tabasco. Unofficially it was reported in Mexico City on Jan. 2 that a new law which would become effective in Chihuahua on Jan. 27 limits the number of priests in that State to one for every 20,000 inhabitants. Catholics of Mexico City were reported to have attended on Sunday, Jan. 3, services at near-by churches just outside the Federal District, where the number of clergy has not been restricted. In some churches in Mexico City on Jan. 3 laymen read the mass, while in others the worshipers prayed in silence. The two Anglo-American Protestant churches were closed because the ministers had not been able to register as required by law. A few Mexican Protestant ministers who had been able to receive permits to officiate conducted services in their churches.

The only bright spot on the horizon for the Catholics in Mexico during December was the reopening for public worship on Dec. 10 of all Catholic churches in the city of Córdoba, State

of Vera Cruz, after they had been closed for five months, and the temporary reopening of the churches in Mexico City in connection with the celebration at Guadalupe.

#### *ECONOMIC CONDITIONS IN MEXICO*

To relieve the situation resulting from the hoarding of silver, which has been carried on since Mexico abandoned the gold standard last Summer, the Banco de Mexico issued 2,000,000 pesos (about \$760,000 at present exchange rates) of bank bills in denominations of five and ten pesos on Dec. 5. The bills, which are of voluntary acceptance, are backed by 50 per cent cash and also by commercial paper, and are acceptable for payment of taxes and all government dues. Despite the fact that paper money during the revolutionary period since 1910 has been accepted with ill grace by the Mexican public, confidence in the bank bills was such that they were readily and generally accepted. Cheered by the success of this issue, the Confederation of Mexican Chambers of Commerce on Dec. 11 petitioned the Banco de Mexico to issue an additional 2,000,000 pesos of bank bills.

A plan to pay off Mexico's internal debt, estimated to be 600,000,000 pesos (nearly \$300,000,000 at par), by the sale of government-owned lands was submitted to the Chamber of Deputies by Finance Minister Montes de Oca on Dec. 20. Declaring that an uncomfortably large proportion of government-owned property was unproductive, he argued that its sale to private owners might attract capital which would make it productive. The plan, therefore, would have the dual advantage of providing ready cash and of adding to Mexico's profitable activities. With slight variations, the project was approved by the Chamber of Deputies on Dec. 21. As passed, the bill provides that the payment of the debt will be made in bonds redeemable in lands.

A revised budget for 1932 which puts revenues at 213,074,225 pesos (about \$106,537,112 at par) and expenditures at 212,987,421 pesos (about \$106,493,700 at par), thereby showing a surplus of 87,000 pesos (about \$43,000 at par), was submitted to the Chamber of Deputies by Finance Minister Montes de Oca on Dec. 22. The most striking change in the revised budget is the appropriation for the Department of War and Marine, which is fixed at 55,000,000 pesos; this compares with 70,000,000 for 1931 and 113,000,000 for 1929. The appropriation for the Department of Finance was reduced to 20,000,000 pesos, as compared with 25,000,000 pesos in 1931. Road building was allotted 8,000,000, as compared with 14,000,000 pesos last year.

Mexico's national road-building program will be promoted vigorously in 1932 despite necessary retrenchments in governmental expenditures. The completion of the Mexico City-Laredo highway is the principal project in hand, and no expense will be spared until it is finished, according to an announcement of the Department of Communications on Dec. 14. The second great project is the completion of the tourist highway from Mexico City to the Pacific port of Acapulco.

A new income tax law which primarily taxes capital and lifts some of the burden from the small wage-earner and small business man became effective by Presidential decree on Jan. 3. Under the new law, annual incomes below 10,000 pesos (about \$5,000 at par) are exempt from the tax, while incomes and earnings above 100,000 pesos are taxed more highly than formerly. Earnings of 300,000 to 350,000 pesos are taxed 10 per cent, and incomes greater than 500,000 pesos are taxed 12 per cent, the maximum.

It was announced in the Chamber of Deputies on Dec. 10 that the Federal project for the abolition of the Territory of Quintana Roo, by having it absorbed by the States of Yucatán

and Campeche, had been approved by the State Legislatures. The former territory, containing much unexplored jungle land, is inhabited by about 30,000 persons, principally chicle workers.

Mexican repatriates, most of whom were from the United States, totaled 112,407 during the first eleven months of 1931. Of this number, 70,000 were reported to have been given free transportation from the border and other aid by the Mexican Government. Most of the repatriates entered Mexico from Laredo and El Paso, Texas.

#### CUBAN PRESIDENT CHANGES HIS TACTICS

President Machado of Cuba announced on Dec. 22 that he had abandoned the long-debated Constitutional reforms he had promised to the Opposition and that he would remain in the Presidency until the end of his term in 1935. "It was my intention," he said, "to reform the Constitution of the Republic in order to bring about elections in 1932 for the choosing of a new President. However, in view of the support of my friends and particularly the spontaneous enthusiasm of the public during my November trip through the eastern provinces, I have become convinced that it would be cowardice to deliver the Presidency into other hands. And as I am no coward, I shall remain, according to the law and the Constitution, until 1935."

President Machado late in November began a tour of the central and eastern provinces of Cuba for the avowed purpose of "spreading cordiality" and visiting "all army posts" and bidding "farewell to all my [his] comrades in arms, the soldiers of the Republic." On this trip the President twice declared his intention to quit the Presidency soon. Other evidence accumulated during December in support of this purpose, notably the release of ninety-four political prisoners. On Dec. 2, after visiting Santiago, a hotbed of opposition to his régime, President Machado announced that a

general amnesty bill that would liberate all political prisoners in Cuban jails would be passed immediately.

Apparently the most conclusive evidence that the President was acting in good faith lay in the fact that the leader of the Opposition, Dr. Cosme de la Torriente, former Ambassador to the United States and President of the League of Nations, arrived in Havana from the United States on Nov. 30, presumably at the invitation of the Administration. But a reaction against a possible compromise between the government and the Opposition soon developed. Prominent Oppositionists in Havana declared that Dr. de la Torriente had separated himself from the Opposition Junta. Nothing, they stated, would be accepted by the Cuban people except the immediate re-establishment of public rights, the liberation of prisoners of war, including all political prisoners, and the establishment of a provisional government until new elections might be held. What may be regarded as the answer of the government to the demand of the Opposition was the declaration by Dr. Rafael Guas Inclán, Speaker of the House of Representatives, on Dec. 9, that political prisoners in Cuban jails would not be liberated until President Machado was absolutely convinced that no further anti-administration activities would be undertaken.

#### NEW GOVERNMENT IN EL SALVADOR

General Maximiliano Martínez was named President of El Salvador on Dec. 4 by the military junta which had overthrown the government of Arturo Araujo the day before. Diplomatic recognition has not been granted the new régime by Guatemala, Honduras and Costa Rica, or by the United States, because the Martínez Government came into power through a *coup d'état*, not through a Constitutional reorganization of the country. In 1923 the Central American republics agreed by a general treaty of peace and amity to refuse recognition

to a government established in an illegal manner. The policy of the United States has been guided by the principles of this same treaty.

#### COSTA RICAN TAXES

A new law in the history of Costa Rica, providing for the collections of income taxes and for the issuing of certificates of identity for use in courts, public offices and elections, was approved by President González Viquez early in December. Under the law an income tax must be paid on all income or cash receipts amounting to 10,000 colones (\$2,500). The proceeds from both the certificates and the income tax will be assigned first to the cancellation of the

loan of \$750,000 from the National City Bank of New York.

#### PANAMAN AFFAIRS

President Ricardo Alfaro of Panama on Dec. 16 signed a decree which permits only natives of Panama to hold title to lands lying in the twenty-mile-wide disputed territory on the Panama-Costa Rica frontier.

To meet the acute unemployment situation, protect home industries, and increase the revenues of the government, the highest duties in the history of Panama were decreed by President Alfaro on Dec. 26. The new rates are expected to affect imports from the United States, particularly shoes and wearing apparel.

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## Investors' Losses in South America

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By HENRY GRATTAN DOYLE

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MUCH attention has recently been devoted to loans by bankers in the United States to Latin American countries. Under a resolution introduced by Senator Johnson of California, the Finance Committee of the United States Senate was instructed soon after the opening of the present session of Congress to investigate the floating of loans to Latin American governments, States and municipalities. The investigation seems to have been directed largely toward establishing the extent of not only the losses to American investors through defaults or moratoria on interest and sinking-fund requirements of such issues, but also the profits made by banks and banking houses from such flotations and the possible responsibility of the State Department because of tacit approval of these loans. The committee has heard the testimony of such financial

leaders as Thomas W. Lamont of J. P. Morgan & Co., Otto H. Kahn of Kuhn, Loeb & Co., and Charles E. Mitchell of the National City Bank. On behalf of the government the committee had heard up to the time of writing Grosvenor M. Jones, chief of the finance and investment division of the Bureau of Foreign and Domestic Commerce, an authority in the field of governmental finance, and James C. Corliss, specialist on Latin American finance in the division.

The Finance Committee of the Senate indicated on Jan. 1 that defaults or moratoria have been declared on more than \$800,000,000 of South American bonds. It has been the custom since the beginning of the Harding Administration to submit proposed foreign bond issues to the State, Treasury and Commerce Departments for study—a practice to which Senator Glass of Virginia objected two



years ago, with the result that the Senate adopted a resolution at the time calling for its cessation, and one which the Senator denounced again in the recent meetings of the Finance Committee. It develops that the action of the State Department has been either to disapprove a projected issue of bonds or simply to fail to disapprove it. The State Department now holds that absence of objection to a proposed loan cannot be considered approval of it, and stated that "no foreign loan ever has been made which purported to have the approval of the American Government as to the intrinsic value of the loan." Mr. Corliss testified that certain South American countries had over-borrowed in 1928 and 1929, and that adverse reports by his division had preceded loans by American bankers to Bolivia and Colombia during those years.

The following factors must be borne in mind constantly in any consideration of these bond issues and related fiscal questions in South America. In contrast with European loans and war debts, South American loans have been made not by the American Government, but by American bankers, and the bonds have been passed on to individual investors, who in the event of depreciation or total loss must suffer the consequences. It is for this loss that Senator Glass holds the State Department "morally responsible." Furthermore, while defaults have no doubt been due in some measure, as previously pointed out here, to failure to keep borrowings within the capacity of the country concerned to pay interest and amortization charges without unduly burdening its resources, and while in some instances charges of graft in connection with the placing of the loans have been made, the most general cause of the fiscal difficulties of South American countries has undoubtedly been the world-wide economic situation. Decline of world prices for such commodities as coffee, cotton, copper,

cocoa, nitrates, tin and sugar has had a direct effect upon the income of the South American countries, whose revenues are largely derived from import and export duties, royalties on production of natural resources, and income from government monopolies in certain commodities. Taxes on real and personal property have never been so effective in the Latin as in the Anglo-Saxon countries, and income taxes have been anathema to most Latin Americans. As for the loans, it must not be forgotten that in some instances American loans have not represented additional borrowing by South American governments, but merely the refinancing of earlier loans made in Europe, and that they have been part of a general program of post-war economic expansion of United States interests in South America. It may be helpful to recall also that absolute repudiation of these loans has not yet occurred, and that in some cases service charges on the bonds are being deposited by the governments concerned, payments being merely deferred until exchange and other economic conditions are more favorable. A wholesome reminder by Walter Lippmann that certain American States have repudiated their debts is altogether pertinent.

A recent report by the United States Department of Commerce lists as the important economic trends in Latin America for 1931 the imposition of high tariffs in an effort to balance budgets, the dislocation of public finances, and the restriction of the production of basic commodities in an effort to control and improve prices. Included in the report are figures for exports and imports between the United States and South America for the first ten months of 1931, as compared with the same period of 1930:

	1930.	1931.
Exports to S. Am..	\$290,279,059	\$139,231,760
Imports from S. A.	376,349,450	263,273,854

These figures are illuminating not only as to the decline of our own

trade with South America, now reduced to the 1913 level or thereabouts, but indirectly as to the economic changes that have taken place in the South American countries during 1931, the year in which the defaults and moratoria have occurred.

Another economic factor not previously mentioned is the effort to bolster the financial situation in several South American countries by restrictions on exchange. These have combined with the operation of economic laws to create exchange difficulties and consequently to complicate the payment of interest and service charges on bonds held abroad. Countries in which artificial restriction of exchange has occurred include Argentina, Brazil and Colombia.

#### *SOUTH AMERICAN ECONOMIC CONFERENCES*

At a conference of representatives of the central banks of Colombia, Ecuador, Peru, Bolivia and Chile held in Lima, Peru, from Dec. 2 to 12, the Federal Reserve Bank of New York was represented by two "observers," while Professor Edwin W. Kemmerer of Princeton, who as financial consultant and head of financial "missions" to a number of South American countries has played a major rôle in monetary and fiscal readjustments there for many years, was also present as an observer and adviser. It will be noted that the five countries officially represented included all the west coast countries of South America, and that all of them except Colombia have found it necessary to suspend their debt services.

Reports circulated before the conference implied that the countries concerned would seek an extension of the Hoover moratorium to South America—an obviously impracticable suggestion because of the distinction between the government-to-government obligations of Europe and the government-to-individuals obligations of the South American countries—and that an effort would be made to obtain large

advances from the Federal Reserve System as a measure of temporary financing. Nothing of the sort took place. One resolution stated that the possibility of obtaining such credits "deserved the attention of the central banks of these and other countries, and of the Bank for International Settlements, for the purpose of furthering the cause of cooperation between central banks and that of international monetary stability, which institutions of this kind should foster." Adherence to the gold standard, "in spite of its well-known defects," is a cardinal point in the resolutions. Another resolution, obviously the outgrowth of Bolivia's use of sterling as the basis of international exchange and its difficulties since Great Britain abandoned the gold standard, declares that "it is inadvisable that the value of the monetary unit of an American republic should be bound up absolutely and indefinitely with that of another country, however great its political and economic importance, although it is understandable in certain cases that a country should base its national exchange on sterling in order not to injure its exports." In this connection the Bolivian Senate has been considering a petition to legislate in favor of a change in the basis of exchange of the Central Bank of Bolivia. The conference decided to hold another session in 1933, to which banks of issue, rediscount and conversion of other Latin American countries should be invited.

On Dec. 15 an economic conference opened in Montevideo, Uruguay, on the invitation of President Gabriel Terra of that country, at which representatives of Brazil and Argentina met with those of Uruguay to discuss matters affecting the meat industry, in which the three countries have a common interest, as well as customs and tariff questions. In convening the conference, President Terra referred to the failure of the Chilean proposal for a Pan-American customs union, attributing its lack of success to the fact

that it embraced too large an extent of territory, a factor that would not be so likely to prevent the attainment of an effective regional customs union. The greatness of the United States, he said, was due to reciprocal free trade among the States, and Argentina, Brazil and Uruguay had much to gain by granting reciprocal customs facilities and by uniting for the protection of products common to all three. In addition to consideration of a tripartite arrangement, the conference also divided into bilateral commissions intended to work out trade treaties between Brazil and Uruguay and between Argentina and Uruguay.

The former deliberations resulted in the draft of a new treaty for submission to the respective governments. It provides for limited free trade on specified articles, reduction of duties on other commodities, and simplification of customs, consular and sanitary regulations. Negotiations were continuing between Argentina and Uruguay on the Uruguayan proposals for unrestricted free trade in live cattle; lifting of Argentine restrictions on Uruguayan building materials, especially stone and sand; removal of restrictions on importation of fresh fish from Uruguay; a new tariff on fruits and vegetables, which Uruguay imports in large quantities from Argentina, and removal of customs red tape in passenger traffic.

After the conference in Montevideo the Brazilian delegates proceeded to Buenos Aires to begin negotiations there for the removal of the Argentine embargo on yerba maté, or Paraguay tea, and to confer on other trade matters. It was reported that Paraguay would like to be represented in any regional customs union, and that it would seek bilateral agreements with Uruguay and Argentina.

Latin American cooperation in international affairs may be furthered by a conference called by Foreign Minister Juan Carlos Blanco of Uruguay in Montevideo for the considera-

tion of disarmament, looking toward the formulation of a South American bloc agreement in anticipation of the Geneva conference. The governments were to be represented by their Ministers or Ambassadors to Uruguay, under instructions of their governments.

#### FORMER PRESIDENTS FACE CHARGES

On Dec. 19 the Peruvian Congress unanimously adopted a resolution to try former President Leguía on charges of treason to the country by "denationalization of the country's railroads, the contracting of oppressive foreign loans and other acts harmful to the government." It is reported that government officials who collaborated with Leguía will also be examined, and that the ex-President's son, Juan, will be placed on trial on charges of misuse of government funds. The proceedings will probably be public, and will be held as soon as Leguía recovers from the results of a recent operation.

The hearings before the Finance Committee of the United States Senate, previously discussed, brought out on Jan. 8 a piece of information which if corroborated may well prove to be a decisive factor in the Leguía trials. On that day Frederick Strauss of the banking firm of E. and R. Seligman & Co. of New York, informed the Senate committee that his firm had paid Juan Leguía a "commission" of \$415,000 for promoting the placing with the Seligmans of a Peruvian loan of \$100,000,000 in 1927. The money, he said, was placed in Juan Leguía's checking account with the banking firm.

Plans to try ex-President Hernando Siles of Bolivia on charges of abuse of power began on Dec. 15 with the taking of evidence by the Chamber of Deputies. The former President is living in exile in Chile, for he is not included in the amnesty granted to those imprisoned as the result of the revolution of June, 1930. On Dec. 4, Vice

President José Luis Tejada of Bolivia was cleared of charges brought by supporters of former President Saavedra, whom Tejada defeated for the Vice Presidency in the elections of last year, that while serving as Finance Minister in 1919 he had accepted bribes from the Standard Oil Company and Richmond, Levering & Co.

On Dec. 24 the special commission which has been investigating the dictatorship of former President Carlos Ibáñez of Chile, resigned.

#### DISORDERS IN SOUTH AMERICA

December was, in a number of the South American countries, a month of disorders and threats of strikes, attributed to Communist activities. Chile seemed to be the worst sufferer. Early in the month a mob attempted to break up the sessions of the Chilean Congress in Santiago and then rioted in the streets, wrecking street cars and breaking shop windows. On Christmas Day outbreaks occurred at Copi-

apo, capital of the province of Atacama, in which eleven persons were killed, and at Vallenar, in the same province. In subsequent fighting at Vallenar, the number of casualties increased to thirty-four. Leaders of the revolt were arrested, and will be given military trials. Raids on Communist headquarters throughout the country followed, and on Jan. 4 a law was passed imposing heavy penalties on subversive activities. A general strike called for Jan. 4 was postponed until Jan. 11 by the Federation of Labor. Government agencies claimed the attempt at a general strike had failed.

Similar scares in Bolivia, Peru and Ecuador have caused some concern. With unemployment so serious, Communist agitators have doubtless found fertile soil for their propaganda. It is to be noted that these difficulties have arisen in countries in which the economic depression is most severe and in which unemployment has in many instances undoubtedly brought workers to the verge of starvation.

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## Britain Under a Protective Tariff

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By J. BARTLET BREBNER

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WHEN the British Parliament adjourned on Dec. 11 until Feb. 2, there was a general feeling that the National Government had established a new course for the country. It was too early to detect clearly the results upon the greatest import market in the world of the new tariff, which by the end of December levied duties at the rate of 50 per cent on between one-third and one-half of the imports of manufactured goods and at the rate of 100 per cent on fruits, vegetables and flowers during certain short specified seasons. Mr. Runciman, in

declaring the new duties on behalf of the Board of Trade, appended to each item the statistics of imports in October and November which justified protection against abnormal shipments to Great Britain. The new duties had the effect of practically complete stoppage.

Considerable pressure on the government from inside Parliament as well as from without for duties on iron and steel products was successfully resisted on the ground that many of these products were equivalent to raw materials for exporting industries. The textile industry also en-



tered a plea for protection. In the field of agriculture the government avoided specific promises. The question of quotas and prices for domestic wheat was complicated enough, but since preference to the Dominions in wheat and flour will enter largely into the bargaining at the imperial economic conference, the situation could not be simply resolved. Mr. Thomas made it clear that world prices must be the chief determinant in any scheme and that the Dominions must bargain on a *quid pro quo* basis.

The government and the Bank of England seemed committed to a process of "defensive deflation" inside the protective walls raised by the tariff and the depreciated pound. Gold poured into the country from South Africa and India and passed out again to France, Holland and Switzerland, taking with it some of the national gold reserve. The large financial processes behind this movement were obscure, particularly in relation to India. Indians were obviously tempted to export hoarded gold in order to profit by the 30 per cent depreciation in paying sterling indebtedness, but there was a substantial desire in India (as in South Africa) both to keep the currency on gold and to protect the country's reserves. From the British point of view this movement represented an inevitable deflation of former security gold values as Indian debts were paid, but it also might assist in dollar purchases and thus support sterling exchange. No statistics were available as to the proportions of public and private gold exports from India, although the Indian regulations of September had put them under public control.

The Bank's gold reserve as of Jan. 1, 1932, was announced as a little over \$600,000,000, with the coverage ratio 30.66 per cent. The interest rate remained at 6 per cent and the note issue continued to be restricted within the legal £275,000,000. For this and other reasons wholesale prices rose surprisingly little and

were still below those of 1930. They went up  $5\frac{1}{4}$  per cent in October and only 2 per cent in November.

This situation apparently encouraged some attempts at wage reduction. The Cotton Spinners Federation on Dec. 15 renewed its attempts to increase hours and reduce wages. The operatives refused to treat and no progress was made toward settlement, but strikes were avoided. The passing of Japanese currency from the gold standard on Dec. 14 destroyed (for India, if not for China) the advantage which British goods had temporarily enjoyed and added weight to a proposal for the complete reorganization of the British cotton industry which would involve the shutting down of 10,000,000 spindles and 100,000 looms. On Dec. 8 the dockers' section of the Transport and General Workers Union accepted a cut of 10d (20 cents at par) a day, but the corresponding water men (on lighters, tugs and barges) refused the reduction and began a strike on Jan. 4.

Work was discontinued on "No. 534," the 73,000-ton vessel with which the Cunard Company hoped to regain the "blue ribbon" of the Atlantic. This involved the laying off of 3,000 workmen directly, with repercussions in related trades and industries which extended even to dredging operations in the Clyde and dock-building at Southampton. The Cabinet was consulted and, using the company's own admission that in 1931 it would not earn depreciation on its old ships, refused help on the ground that the new ship would not earn its own interest and depreciation charges. The company said that it would go ahead with construction if it could borrow the necessary \$25,000,000 at the  $3\frac{1}{2}$  per cent rate which it had anticipated.

Much more heartening was the continued decline in unemployment to figures which justified talk of the Insurance Fund paying its way again. The fall from Sept. 28 to Dec. 21 was approximately 320,000, in spite of a

rise of 12,000 between Nov. 23 and Dec. 7, and the 2,506,719 unemployed of Dec. 21 involved a decline of almost 66,000 in the preceding week. Particularly encouraging was the reversal from November in a substantial decrease of the wholly unemployed. Iron and steel production continued to expand, as did the "light-heavy" industries related to them.

The best evidence of national co-operation with the government's efforts was the demonstrative rush to pay income tax in the first week of January. Under Snowden's new scheme citizens were asked to pay the amount for nine instead of six months in the first instalment, and their response surprised the collectors. Sterling recovered 20 cents from its low of Dec. 7 and fluctuated rather widely around \$3.40.

On Dec. 10, simultaneously with the passing of the Statute of Westminster, the text of which was printed in January *CURRENT HISTORY*, there was signed on behalf of Great Britain and each of the Dominions the British Commonwealth merchant shipping agreement, which incorporated the recommendations of the Imperial Conference of 1930. It provided for a voluntary uniformity on all important points so far as merchant shipping legislation was concerned.

#### IRISH SOVEREIGNTY

The passing of the Statute of Westminster proved to be the occasion for a varying Irish response. The Free State Parliament now enjoys full sovereignty. To Mr. Cosgrave and Mr. Patrick McGilligan on behalf of the government that meant power to abolish the right of judicial appeal to the Privy Council, but they were rendered cautious when Eamon de Valera, leader of the Opposition, interpreted it to mean power to abolish the oath of allegiance, denounce the Anglo-Irish treaty of 1921, amend the present Constitution and repudiate the continued payment of the land annuities to Great Britain.

The public safety act was brought to bear more heavily in December. George Gilmore was condemned to five and his brother Charles to three years' imprisonment for their possession of a large munition dump in the Dublin Mountains and their relation to the illegal Irish Republican Army. Joseph Kennedy and Michael Moran received sentences of seven years' imprisonment for possession of arms and for an attack on an elderly farmer with intent to rob.

#### CANADIAN PROBLEMS

Undoubtedly the matter of greatest public concern in Canada during December was the disparity between Canadian and United States dollars. When New York banks would give only 80 cents for a Canadian dollar, an intending Canadian visitor to New York had to pay \$1.25 Canadian for the dollars he needed. The year end aggravated the situation, for much public indebtedness, both capital and interest, fell due in January. The rate rose to between 84 and 85 cents after the beginning of the year.

The processes to correct the situation continued. Washington reported that Canada was ceasing to be the best customer of the United States, although the reverse continued to be true. In the first nine months of 1931 imports from the United States fell by 39 per cent and exports to the United States by 34 per cent. Provinces and municipalities began to move in the same direction as the Dominion Government in order to minimize borrowing abroad. On Jan. 5 New Brunswick offered to the internal market a bond issue of \$5,062,000 at a price to yield about 5¾ per cent, and on the same day John Bracken, Premier of Manitoba, announced that the Dominion Government would assist the Province in meeting its maturing obligation of \$2,000,000 due on Jan. 15 in New York. In addition, the government and the bankers combined to throw off dependence on New York for

financial and business services. The volume of Canadian international trade appeared to justify the establishment of a domestic system to handle bills and acceptances and carrying charges.

The favorable balance of trade which began in midsummer continued to grow at such a rate that for the calendar year 1931 the total exchange was adverse by only \$7,500,000 as against \$103,000,000 for 1930. It seemed certain that for the fiscal year (April to March) it would be favorable by a large margin.

The forthcoming imperial economic conference at Ottawa almost entirely dominated the political scene during Parliamentary recess. The 1922 trade treaty with France had been stripped of its advantages by French tariffs and Canada denounced it as from June 16, 1932, while some 15 or 20 other treaties seemed likely to go by the board as well. A temporary trade agreement with Brazil was under negotiation as was a treaty with South Africa, and H. H. Stevens left for Honolulu to meet W. D. Stewart of New Zealand in order to settle the differences which have so seriously interrupted the trade between the two countries. Canada was preparing to take an active part in negotiating for intra-imperial economic organization.

On the whole it was fortunate that recent elections in Canada, Great Britain, New Zealand and Australia had given governments there unmistakable popular mandates, and also that Mr. MacDonald and Mr. Thomas were members of the British Cabinet. They pierced Mr. Bennett's rhetoric at the imperial conference of 1930, they had conversations with him after the British election, and Mr. Bennett and Mr. Thomas have recently exchanged across the Atlantic comments which promise that the conference will be an unsentimental bargaining match.

#### NEWFOUNDLAND FINANCES

Having failed during the Spring to secure an \$8,000,000 loan, the Gov-

ernment of Newfoundland called upon two British experts to put its financial house in order. On Dec. 2 it was announced that one of them, J. H. Pen-son of the British Treasury, had been appointed Controller of the Treasury. Like a judge, he was to be removable from office only by joint address to the Governor from both houses of the Legislature and his approval was to be the necessary condition for all departmental expenditures. This device got rid of the old curse of electoral promises of expenditure. Then Newfoundland tried again for the loan, and on Dec. 14 Sir William Coaker stated that she had offered to sell Labrador outright to Canada for \$100,000,000.

On Dec. 27 it was rumored in New York that Newfoundland would default on her Jan. 1 payments, but actually the Executive Council was wrestling with an offer of salvation (at a price) from four Canadian banks (Montreal, Royal, Commerce, Nova Scotia). Their terms were accepted on Dec. 30. They lent \$2,200,000 at 5½ per cent for six months in return for an embargo on gold export, acceptance of their notes as legal tender, the retention of Mr. Pen-son or of a similar British appointee, control of the customs revenue and the floating of a domestic loan to meet this year's deficit. In return they bound themselves to accept a bond issue covering the advances they had made to the government during 1931.

#### NEW AUSTRALIAN CABINET

The agitated career of Mr. Scullin as Prime Minister of Australia was brought to an end as a result of the general election on Dec. 19, when the Labor party was overwhelmingly defeated by the Opposition under the leadership of J. A. Lyons, who thereupon became Prime Minister. Mr. Lyons succeeded Mr. Theodore when the latter retired under a cloud in 1930 and Mr. Scullin went to the imperial conference, only to lose the post to Mr. Theodore on Mr. Scullin's return early in 1931. Mr. Lyons's



chief commendation to the voters was that, while the leaders of the Labor party spent their energies in factional differences and bewildered the country with fantastic economic proposals, he had stuck to conservative financial retrenchment and had been chief agent in the conversion loan which saved Australia from default on her indebtedness.

Mr. Lyons, leaving the Federal Labor party to go into opposition along with J. E. Fenton, who was Acting Prime Minister during Mr. Scullin's absence at the imperial conference, was largely the creator of the United Australia party and it was this party, working with other Opposition elements, that brought about the Parliamentary defeat of Mr. Scullin, though an important factor in the result was the fortuitous alliance between the Opposition parties and the extremist (Lang) group of Laborites. The election, in fact, was largely a three-cornered affair, with the Labor party defending itself against the United Australia party (the old Nationalist and dissident Laborites) allied with the Country party and against the Labor extremists.

The election resulted in the following distribution of seats: United Australia party, 39; Country party, 16, and Independents, 2; Labor, 14, and Labor Extremists, 4; a majority of 37 for the Lyons group, or a majority of 5 for the United Australia party over all. In the last Parliament the figures were: United Australia party, 23; Country party, 11; Independents, 1; Labor, 35; Labor Extremists, 5. Half the Senate seats (18) were also contested, resulting in the Lyons group holding 27 seats to 7 Labor and 2 Extremists. These majorities committed Australia to conservatism in financial affairs. Mr. Lyons replied to Mr. Scullin's charges as to his tariff policy that henceforth the changes would be made only on the recommendations of an appointed tariff board. The Cabinet was announced

on Jan. 1. It consisted of nine departmental heads and four honorary ministers. Its chief members were Mr. Lyons (Prime Minister and Treasurer), J. G. Latham (former Nationalist, Attorney General and Deputy Prime Minister), H. S. Gullett (Minister of Trade and Customs), J. E. Fenton as Postmaster General and Stanley M. Bruce (former Prime Minister) as Honorary Minister to assist Mr. Lyons at the Treasury.

On Nov. 20 victory seemed to pass to Mr. Lang, Premier of New South Wales, in his long-drawn-out constitutional struggle with Sir Philip Game, the Governor. The Governor (who had refused last March to do so) agreed to appoint twenty-five new members to the Legislative Council (the upper house of the State Legislature), thereby overcoming a majority which had resisted Mr. Lang. The High Court had already checked Mr. Lang's attempts to use his majority in the lower house to abolish the Council. The Governor's action provoked much surprise, and he felt it necessary to state publicly that he had acted without consultation of the Dominions Office in London.

#### NEW ZEALAND'S DIFFICULTIES

The path to a balanced budget in New Zealand has proved to be very difficult in spite of a favorable balance of trade. W. D. Stewart, Minister of Finance, was sure that revenues would not meet expenditures in 1931 and that 1932 would be worse, thus necessitating still further public economies. The double decline in prices and in purchasing power has placed a heavy burden on a country which produces raw materials and is willing to import its manufactured goods. The government could not count on a long-term loan in London at a reasonable rate of interest. Prime Minister Forbes planned with the assistance of the banks to create a pool for all exchange credits and thereby mobilize credits in London for governmental purposes.



# India's Fate in the Balance

By H. B. LEES-SMITH

[Mr. Lees-Smith was a member of the last British Labor Cabinet and one of the British Government's delegates at the recent India Round Table Conference. Apart from his political activities he has been for many years professor of Public Administration in the London School of Economics and Political Science, University of London.]

**M**R. GANDHI arrived in Bombay on Dec. 28 on his return from London. A week later he was arrested at the outset of a new civil disobedience campaign which he had been predicting would once more plunge the people of India into "the fires of suffering." Mr. Vallabhai Patel, President of the All-India Nationalist Congress and former President of the Indian Legislative Assembly, was also arrested, and was lodged with Mr. Gandhi in Yerovda jail, near Poona.

This dramatic result of the long series of negotiations which took place before and during the conference in London cannot be fully understood without going back to the close of the conference and the events which subsequently occurred.

Although the India Round Table Conference failed to achieve the full purpose for which it was called, opinion in England in the light of later developments is by no means inclined to regard it as completely unsuccessful. The view now expressed is that it was far too optimistic to expect that a constitution for India could be worked out in a conference which held two sessions of a few weeks each, and that the conference has justified itself by making this clear and at the same time by leaving the way open for a series of further conferences, which will be needed to complete so complicated a task. The Prime Minis-

ter, Mr. Ramsay MacDonald, at the end of the conference was careful to state that it was not closed but "adjourned," and that a working committee of the conference would be appointed to prepare for its further meetings.

The task of the working committee will presumably be to discuss the great fundamental issues which these further conferences will have to decide, such as the measures to secure the proper maintenance of the British Army, the control of finance and the other safeguards that the British Government has always insisted must accompany any grant of responsible government.

Meanwhile, there were three minor questions which had been discussed in the conference and on which Mr. MacDonald proposed to appoint committees immediately. These three questions were the franchise for future voters in India, the relations between federal and provincial finance and the financial problem arising in connection with the territories of the different Indian princes. These three committees were appointed just before Christmas, and the names of the chairmen and the British members of each were announced. The chairmen are to be the Marquis of Lothian, Under Secretary of State in India; Lord Eustice Percy, formerly President of the Board of Education, and Mr. J. C. C. Davidson, Chancellor of the Duchy of Lancaster. No complaint can be made that there has been any delay in the appointment of these three committees, but the crux of the situation is the working committee, which was to discuss the basic problems that are still unsettled and which may well in reality become the

conference in miniature. The time when this committee was to be appointed, who were to be its members, when it was to meet and what it was to do—all these questions were left uncertain in the Prime Minister's statement; yet everybody recognized that these were the vital questions which would decide whether the future constitution of India would be worked out by the method of conference with the representatives of India or by the method of imposing the will of the British Government.

Mr. Gandhi expressed great dissatisfaction with the vagueness of the Prime Minister's declarations on this central issue, but declared before leaving London that he had not come to any definite conclusion as to whether or not he would revive the campaign of civil disobedience. He described the conference as "a complete failure," but since this failure was largely due to the envenomed disputes among the Indian delegates themselves—particularly among the Moslems and the Hindus—and since the conference had not been brought to an end, it was expected that he would refrain from taking any extreme steps for at any rate some considerable time. He had great difficulties of his own to contend with, for the working committee of the congress contains members who are far more extreme than Mr. Gandhi himself. The views of the more extreme group were expressed in a joint statement issued by Mr. V. J. Patel, former President of the Indian Assembly; Mr. Subhas Chandra Bose, former Mayor of Calcutta, and Mr. Jannadas Mehta, president of the Indian Trade Unions, which said: "We are opposed to Mr. Gandhi lowering the flag of complete independence, and we record our profound disagreement with his offer to cooperate with the government on certain terms." But in spite of these manifestations it was known that Mr. Gandhi had always had to expect them, and it was anticipated that he would postpone any decision on civil

disobedience for some time and would carry most of the supporters of the congress with him in this policy.

Why, then, is Mr. Gandhi in jail? The explanation is that, as so often happens in public affairs, a new question has emerged which has pushed the more fundamental issues of the conference into the background. There has for some time been a growing terrorist movement in Bengal, and this the government of India met, before the conference ended, by issuing an ordinance of an exceedingly strong penal character, which gave the government powers to act under what was not far removed from martial law. This terrorist movement is composed mainly of young men and women. Although it has been emphatically repudiated by Mr. Gandhi, he expressed his implacable hostility to the highly penal character of the new ordinance, even while he was in England, and before he returned to India he declared that, quite apart from the issues of the conference, there could be no peace between him and the government of India so long as what he regarded as the objectionable provisions in the ordinance were retained. This issue, therefore, became the factor which precipitated the crisis.

A short time after the ordinance was issued, two young women called upon Mr. Stevens, the District Magistrate of Comilla, for an interview, and one of them shot him dead. This murder strengthened the determination of the government of India to maintain the ordinance in its full strength, while Mr. Gandhi insisted that its penal provisions must be modified or abandoned.

By the time Mr. Gandhi reached India, events had already begun to move rapidly. A "no-rent" campaign had been declared in certain provinces and there had been a clash between British soldiers and the Red Shirt organization in Peshawar, during which the soldiers had fired and killed eight men. Pandit Jawaharlal Nehru, who was taking a leading part in the "no-

rent" campaign, and Abdul Ghaffar Kahn, the leader of the Red Shirts, had been arrested.

After Mr. Gandhi's return, the working committee of the national congress with, it was understood, Mr. Gandhi's sympathy and advice, passed a resolution that "all unjust laws issued under the recent ordinances be civilly disobeyed." Civil disobedience was thus officially put forward once again as the policy of the congress. Mr. Gandhi followed this up with a request for an interview with the Viceroy. The Viceroy, replying on Jan. 1 that he would be glad to see Mr. Gandhi, added that he would not be prepared to discuss with him "the measures which the government of India, with the full approval of His Majesty's government, have found it necessary to adopt \* \* \* for the preservation of the essentials of government." This reply showed clearly that it was the new ordinance on which the irreconcilable clash had occurred. The civil disobedience movement was, therefore, initiated once more and Mr. Gandhi's arrest has taken place.

Meanwhile, the picture would not be complete without reference to another of its aspects—the new attitude of the Moslems. At the Round Table Conference the cleavage between the Moslems and the congress party, as already has been mentioned, became

deeper than ever before, and this has shown itself in the Moslems' refusal to support Mr. Gandhi or the congress in their new campaign in India. The attitude of those Moslems who take the strongest views was expressed by Mr. Ghuzvnai, one of their delegates to the Round Table Conference, before he left London: "The new Bengal ordinance to deal with terrorism is a necessity. Terrorism in Bengal is an imminent peril, overshadowing our lives and disturbing the peace of India as a whole. If a campaign of lawlessness is embarked upon, we Moslems accept the challenge. We will never give up the fight. Let Mr. Gandhi realize this important fact. To use the phrase employed by Mr. Gandhi when he left England a few days ago, I urge him and his followers 'to beware.'" In accordance with the policy expressing this spirit, the All-India Moslem League met in New Delhi on Dec. 27 and adopted resolutions opposing the terrorism and the "no-rent" campaign. They went on to declare that their ultimate aim was "responsible government with adequate safeguards for Moslems." The new year, therefore, opened with a renewal of the civil strife which had been suspended for many months, with wholesale arrests and with a series of sweeping measures taken by the government against the congress party.

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## French Cabinet Perplexities

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By OTHON G. GUERLAC

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AS April and the national elections draw nearer, the French political atmosphere has become more highly charged and party strife more bitter. During December the Parliamentary debates were especially stormy; the Laval Ministry suffered several setbacks at the hands of the

Socialist and Radical-Socialist coalition, and on the eve of the Christmas adjournment members who had already left for their vacation had to be called back to help the government in a last skirmish with the Opposition.

The various debates dealt almost exclusively with problems created by

the financial and economic crisis—how far should the State go to rescue private enterprises in distress? In each case the solution proposed by the government met with stiff resistance in the House and the Senate, and was passed only after amendment.

The government asked a credit of \$12,000,000 to permit the French Line (*Compagnie Générale Transatlantique*) to continue operations, stating that if no help came the company would be bankrupt by Dec. 31. Ernest Lafont, the Socialist Deputy, who is known for his vitriolic eloquence, accused the company of having falsified its balance in 1930 and having distributed fictitious dividends. M. Germain-Martin, former Minister of the Budget, who was appointed to examine the situation, acknowledged the truth of the accusation but pleaded the patriotic necessity of supporting the mercantile fleet, while the Minister of Mercantile Marine, M. de Chapdelaine, emphasized the fact that out of seven directors responsible for the mismanagement only two remained, the others having been obliged to resign. Finally, after a heated debate which lasted all night, the Chamber granted the requested sum by a vote of 333 to 221, but only after a radical change in the original project had been forced upon the government. The amendment provides that the State shall have a majority on the board of directors of the company as well as a majority of the shares. Likewise, the company must furnish a statement of its receipts and expenditures every quarter and must submit every project costing more than \$20,000 to the Ministry of Mercantile Marine.

The proposal by the government that the treasury take over the loss of \$100,000,000 which the Bank of France has incurred through depreciation of its large sterling holdings was also hotly debated. Germain-Martin, Georges Bonnet and Jacques Stern, all specialists in finance, complained that the convention did not stipulate

any limit to the State's responsibility for exchange losses by the bank. It was suggested that the present deficit might be exceeded if the pound fell lower or if, as some papers have intimated, the dollar goes off the gold standard. Moreover, the critics of the measure wanted to know what was represented in the bank's balance by a mysterious item of \$100,000,000 under the heading of "sundries."

Both P. E. Flandin, the Minister of Finance, and Premier Laval defended the proposal on the ground that the Bank of France could not be left exposed at such a critical time. To delay action would be to encourage what the Premier called the campaign against French credit. The critics, however, were not deterred by the fear of further damaging the credit of this institution, whose shares have actually dropped quite sharply, and they insisted that the profits of the bank in the past were amply sufficient to cover those present losses which were apparently to be placed on the backs of the taxpayers. When the measure finally passed both houses, it was so amended that the bank will have to pay an initial instalment of \$10,000,000 instead of \$8,000,000, as first provided. The scheme calls for a payment by the State in treasury bonds equal to the loss incurred by the drop in sterling. Repayment will be made partly by a government annuity, partly by the bank itself. It was over this settlement that the Socialists launched the eleventh-hour attack which forced M. Laval to call back his supporters just before the Christmas recess.

The interpellation on unemployment, which lasted throughout December, came near causing serious trouble for the government. A Socialist motion calling for increased unemployment allowances, diminution of the working day to seven hours, and a scheme of unemployment insurance was nearly passed on Dec. 18. M. Laval, however, came to the rescue and spoke in a thrilling and noisy de-



bate against both Léon Blum and Edouard Herriot, and the motion failed by 316 to 257. In consequence, for almost the first time the Socialists taunted the Premier with having shifted his political allegiance away from the working class, which launched him on his career. The Premier was content to say that his voters had always remained faithful to him since 1914 in spite of his so-called apostasy; apparently the workers are less shocked by what Léon Blum called his "palinode" than are his former Socialist associates.

Another issue which aroused party passions was the election bill sponsored by M. Mandel, former lieutenant of Clemenceau. This proposed to suppress further balloting once a candidate has obtained 40 per cent of the votes. At present a clear majority is necessary, and when it has not been obtained a second ballot is taken two weeks later. The new bill would prevent allied parties, like the Radicals and Socialists, from withdrawing one of their candidates to mass their strength against a Conservative candidate, and was so violently opposed by the Left Cartel that no definite action was taken.

Before the Parliament adjourned for the Christmas recess, political amnesty was declared by both houses, and the Senate passed the national equipment bill and other measures relating to unemployment. It likewise ratified the bill accepted by the Chamber on Dec. 18 authorizing the construction of the 1932 quota of war vessels: four second-class cruisers, one destroyer, one torpedo boat, one charting vessel and one river gunboat.

#### LAVAL'S FOREIGN POLICY

Speaking on Dec. 20 at a banquet to the Minister of Aviation, Dumesnil, Premier Laval restated the French position on international problems with an accent that reminded some of his critics of the speeches of Poincaré. Settlements with Germany, he said, should be made easier only for a

limited period—namely, the period of depression; the unconditional annuity would have to be discussed in accordance with the Young Plan provisions. Reparations could not be sacrificed to private debts. These statements, coupled with those made in the American Congress on the Hoover moratorium, which provoked in France comments that were far from friendly, seem to indicate that the responsible leaders of government have not advanced toward a new conception of the problem of reparations and inter-allied debts. It was therefore all the more startling to find an influential paper, the *Dépêche de Toulouse*, which largely controls public opinion in the southwest, advocating on Jan. 3 the wiping out of all reparations and the initiation of a new policy with Germany. As long as this unpopular doctrine was defended by a free lance like Gustave Hervé in a paper of small circulation, the Paris press and the American correspondents seemed to ignore it. But the *Dépêche de Toulouse* represents the Radical-Socialist party. Hence *Le Temps* and *Le Journal des Débats* immediately took issue with what they consider a very dangerous doctrine.

#### FRANCE'S ALIEN POPULATION

The census taken early in 1931 and made public in December reveals the increasing percentage of foreigners in the French population. Of the 41,834,923 persons in the country 2,890,923 are not natives. This is an increase of 400,000 foreigners since 1926 out of the entire population growth of 1,091,000. Paris has the largest foreign population. In the department of the Seine there are 4,983,000 persons, of whom 459,000 are not native-born. Of these between 20,000 and 30,000 are Americans. The industrial north is also a great foreign centre, with many Belgians and Poles. It is on the Riviera, however, that one finds the greatest proportion of non-French to French inhabitants. In the Alpes-Maritimes department there are 140,-

000 foreigners out of a population of 493,000—more than 25 per cent.

The economic aspect of this foreign infiltration was brought out in the Chamber of Deputies on Dec. 15, when Adolphe Landry, Minister of Labor, admitted that France's working population had increased by 1,250,000 since the war. There are 1,266,000 foreign workers receiving pay, while the number of paid French workers has decreased by more than 1,000,000. As most of these foreign laborers were brought to France to help in the restoration of the devastated areas and have become French citizens, it is out of the question, the Minister said, to expel them. What is urged is stricter limitation on the entry of new laborers. Even the present regulations fixing the figure at 365 for this year are thought inadequate.

#### CONTINUED ECONOMIC STRINGENCY

All signs point to an accentuation of the economic stringency. Public revenue in November was about \$4,500,000 below the figure for November, 1930. For eight months of the fiscal year 1931-32 the decline was over \$36,000,000. Collections, however, were some \$10,000,000 over estimates. Exports continue to decline. The eleven months' import surplus was \$103,800,000 above 1930 and \$137,200,000 above 1929. The gold reserve of the Bank of France reported on Dec. 24 was the highest in its history. The note circulation reported on Nov. 5 at 83,638,617,000 francs was likewise the highest ever recorded.

Deputy Lamoureux, outlining the budget for 1932, stated that it had been balanced only by exceptional methods and that the budget of 1933 would show a deficit of 6,000,000,000 francs (about \$240,000,000) unless new measures were adopted. Hence, when M. Herriot wrote on the outlook for France late in December, he was frankly pessimistic. "France is in a very difficult position," he said, "with

3,000,000 partially or totally unemployed workers, an uncertain budget and an adverse balance of trade. \* \* \* Internally and externally the situation of France is bad."

#### DEATH OF THE MINISTER OF WAR

André Maginot, Minister of War, died on Jan. 7 at the age of 54. He had been Minister of Colonies in the Ribot Cabinet in 1917, Minister of Pensions with Briand, and Minister of War with Poincaré in 1924 and 1928. Early in 1931 he was appointed to the same post by Premier Laval. His name became internationally known in connection with the military occupation of the Ruhr, and he was always an advocate of a strong and ever ready French Army.

Gustave Le Bon died on Dec. 14 at the age of 91. Although not engaged in active politics nor a member of the academic world nor official learned societies, he exercised a strong influence on political thinkers everywhere through his writings on science and sociology.

#### FRANCO-BELGIAN COOPERATION

Interpellations upon the world crisis were ended in the Belgian Chamber on Dec. 10 when a vote of confidence in the government was successful by a narrow margin. The interpellation on Belgium's economic policy, however, which ended with a motion calling for the broadening of markets by agreement with France and Holland, passed by a majority of two after being accepted by the Cabinet. That the house, which is predominantly Walloon, should call for more intimate cooperation with France is probably due to the fact that Minister of Foreign Affairs Hymans had unsuccessfully attempted to obtain reductions in the British tariffs on certain Belgian exports.

Shortly afterward the Belgian Committee for Franco-Belgian Understanding met in Brussels, presided over by Charles Magnette, president of the Belgian Senate, and passed a motion calling for a "consultation be-

tween personalities of both countries to facilitate the rapprochement."

Speaking in the Chamber on Dec. 23, Premier Renkin stated that his country would not abandon the gold standard and that Belgium would retaliate against countries which closed their markets by prohibitive tariffs on Belgian products. Even the Socialists supported the government in this stand.

On Jan. 3 the Belgian Government gave the Fairey Aviation Company of England the biggest single order ever placed by a foreign government with the British aircraft industry. More than sixty high-speed, high-flying military machines have been ordered, capable of soaring to great heights in a few minutes and designed to operate mainly at between 20,000 and 30,000 feet.

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## Germany Demands Equal Rights

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By SIDNEY B. FAY

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**S**PEAKING to Germany and the world on New Year's Eve in his first radio address, President von Hindenburg recalled the great sacrifices which the German people made during the year, and added:

The magnitude of the sacrifices gives us the right to insist that other nations do not impose on us requirements impossible of fulfillment, and thus stand in the way of our recovery. The question of disarmament also is one in which Germany must not be denied her rights. Our claim to a security equal to that of others is so justified that it cannot be denied.

My thoughts go back to Tannenberg. Our situation was difficult then—as it is today. \* \* \* I am calling again today, in an hour equally critical, upon the German people to stand together in unity, no matter what destiny may have in store. Let us face the coming days and their trials hand-in-hand. Let us not waver. None of us must give up hope. Each and every one has unshakeable faith in Germany's destiny. The Lord has saved Germany from deep distress before. He will not forsake us now.

President von Hindenburg's words met with strong condemnation from the nationalist wing of the Paris press as indicating "German desire to get rid of the essential provisions of the Versailles Treaty with respect both to

reparations and to armaments." *Le Temps* declared: "Either the Berlin Government must reduce its claims, or it must assume the responsibility for repercussions which may be serious for the whole world." The *Journal des Débats*, in an even more alarmed manner, said: "These words of President von Hindenburg, against which the French Foreign Office will raise no protest, contain everything that is necessary to produce disorder in the world and create out of the conference at Geneva the disturbance of all Europe."

It is currently reported that President von Hindenburg, whose seven-year term as President runs out this Summer, will consent, as a matter of duty during Germany's crisis, to run as a candidate for re-election—in spite of his eighty-four years. There may be no elections this Spring, however, for the Bruening Government is apparently unwilling to subject the country to the internal reactions which would follow a national vote under the present conditions, and has proposed the prolongation of von Hindenburg's term beyond May 5, 1932, through parliamentary amendment to the Constitution. To gain this

end, Chancellor Bruening conferred at length with his opponent, Adolf Hitler, in Berlin, on Jan. 7. The Nazi leader's reaction was not favorable, it was reported on Jan. 11.

Owing to the political truce enforced by the Bruening Government during the Christmas holidays, there was a relative lull in party politics. Adolf Hitler contented himself with a New Year's message in which he exhorted his followers to fight bolshevism to the utmost, to follow only legal methods, and to continue to accept his own dictation: "On to victory, like knights without fear or blame, we shall charge through hell, death and damnation. \* \* \* If our movement were wiped out today, Germany would be Bolshevik tomorrow."

The Basle report of the Young Plan Advisory Committee, made public before Christmas and published on pages 701-709 of this magazine, gives a very thorough and yet clear and simple review of Germany's financial and economic difficulties during the past half dozen years. It should be read carefully by any one who wishes to get an adequate view of Germany's present situation. It is much more detailed and up-to-date than the Wiggin report of last August, and indicates, on the basis of a recent German financial census, that the outstanding German short-term credits at the end of July, 1931, were about \$3,000,000,000, instead of \$2,000,000,000, as estimated in the Wiggin report. The new Basle report indicates that it is doubtful whether Germany can continue in the future the high level of exports of recent months. It declares that Germany will be justified in declaring—in accordance with her rights under the Young Plan—that she is unable to transfer the postponable reparation annuities at the expiration of the Hoover moratorium next July. It even estimates that the German railway profits of the present annuity year will be only 178,000,000 marks (\$41,000,000). This is considerably less than one-third of the non-postponable

part of reparations; yet it is from the railway profits that the non-postponable payments are supposed to be made. Finally, the new report praises the efforts of the Bruening Government in its measures to reduce expenditures, increase revenues and meet foreign obligations, and characterizes the Chancellor's sweeping emergency decree of Dec. 8 as "without parallel in modern legislation."

It is reported that Sir Walter Layton, the British member of the Basle committee, and certain others on it, wanted to bring in a more radical report, annulling the Young Plan and clearing up once and for all the question of German reparations. Sir Walter Layton's secret draft report, rejected through French influence as going beyond the terms of the committee's appointment, is said to have the backing of many London bankers, including Montagu Norman, governor of the Bank of England.

The Prussian Government issued a drastic decree on Dec. 22 to cut down expenses further and so reduce the estimated deficit of \$100,000,000 in the Prussian budget for 1932. Sixty district courts of justice and eight institutes of research in chemistry and physics were abolished. The Schiller Theatre in Berlin will be closed after the present season, as will also nine of the fifteen teaching seminaries. The State operas in Wiesbaden and Cassel, and the academies of fine arts in Breslau, Cassel and Koenigsberg will be discontinued. The expenditures of all Prussian universities are to be reduced sharply, and many professors, teachers and other State officials are to be dismissed or pensioned. Despite these economies, there remains in the budget a deficit of about \$40,000,000, and thus far nobody seems to know how it is to be covered, as the State is compelled to refrain from increases in taxation.

#### FRANCO-GERMAN ECONOMIC ACCORD

The Franco-German Joint Economic Commission, which was established as



one of the results of Premier Laval's visit to Berlin last Fall, at once appointed sub-committees to explore the field for possible points in which the two countries might work advantageously together. As a first result of their labors, the French Ministry of Agriculture announced on Dec. 28 that it had signed an accord with German producers "to buy nitrates in sufficient tonnages to satisfy the needs of French agriculture and industry." The statement was somewhat vague—possibly to evade French newspaper and political criticism. Purchase of German nitrates might bring criticism upon the French War Office for buying a vital war supply like nitrates from a former arch-enemy, after France had been obtaining nitrates for a century from Chile.

The French official statement said that the purchases from Germany would be supplementary to those from Chile. The latter amount to 209,000 tons, all of which the Chileans sold to the French agriculturalists recently. Since France's total annual needs of nitrates run to between 350,000 and 400,000 tons, presumably the accord with Germany calls for a supply of from 150,000 to 200,000 tons, from which the War Office must now get its reserves.

The German supply will come through the German Chemical Trust, I. G. Farbenindustrie, covering the "nitrate year" of 1932, which is from about Jan. 20 to Sept. 1. The French official statement says the agreement will permit the French agriculturalists to get nitrate at a price 10 francs (about 39 cents) per 220 pounds lower than the current rate. The present price of 105 francs was set at the request of the French nitrogen industry last August, so that the new price will be 95 francs. However, it is understood that Germany's selling price is 83 francs, the difference going to form a virtual subvention to the French nitrate industry.

The coordination of the French and German air lines from Europe to

South America is another field which a sub-committee is studying, and in which it is expected that cooperation will soon be arranged.

Russo-German trade negotiations resulted in the signing of an agreement in Berlin on Dec. 23. The terms of the agreement will not be published until it has been ratified by the German and Russian Governments. But it is understood to allay German fears that their long-time credits to Russia will not be paid. It may include an arrangement for Germany to buy Russian grain as a means of Russia's making her payments. As a result of the year's poor grain crop, Germany will be compelled to import grain from somewhere, and the Russo-German trade situation seems to indicate Russia as the obvious place.

#### AUSTRIAN REVOLUTIONARIES ACQUITTED

Dr. Walter Pfriemer and seven of his followers were acquitted of the charge of treason by a jury at Graz on Dec. 18. The accused men had organized the brief revolution in Styria on Sept. 13 which collapsed completely after a few hours owing to lack of proper preparation and because of its local character. Dr. Pfriemer fled across the frontier. Recently he returned and surrendered himself to the authorities because the Yugoslavs would not allow him to remain in their country. The verdict of acquittal was reached in spite of the public prosecutor's warning that leniency would lead only to new outbreaks by the Austrian Fascists.

In a statement made in Parliament on Dec. 17, Dr. Weidenhoffer, Minister of Finance, practically admitted that the largest Austrian bank, the Creditanstalt, had spent money to influence press reports at the time of its impending collapse last Spring. It had been rumored that \$50,000 or more had been handed over by the bank to a lawyer who was to distribute it in such a way "that the outside world should be properly informed about the situation." According to Dr.

Weidenhoffer's statement the sum was \$33,000 and it was spent by the Austrian Government largely so that the foreign press would make reports of the affairs of the bank as favorable as possible. He said some of the money was given to an association of small shareholders, but \$11,000 was distributed by the Government Press Service to obtain the publication of articles abroad. The Socialist Opposition in Parliament, as well as the foreign press organizations in Vienna, have demanded, but without success, that the names of the newspapers containing the articles be made public.

The Austrian Government notified a number of short-term and medium-term creditors on Jan. 5 that it could no longer pay amortization charges on their loans, but would continue to pay interest as hitherto. The sum involved, in which the Creditanstalt and American and English bankers are concerned, is less than \$10,000,000, which is such a small percentage of the total Austrian foreign debt that there is still no question of a general moratorium, although from some quarters the government has been urged to follow the example of Hungary in declaring one.

#### CONDITIONS IN HOLLAND

Holland's population now exceeds

8,000,000, according to the monthly bulletin of the Central Bureau for Statistics. The exact figure is given as 8,006,600 inhabitants, not including, of course, the colonies, with many times this figure.

Holland is gloomy over the bulb industry. The fall in British and Scandinavian currencies, the measures taken by the British against imports, the confusion in Germany and the economic depression in America have seriously affected the profits of the past year, although the export of bulbs amounted to 87,000,000 pounds from August to November, as against 89,000,000 pounds during the same period in 1930.

Dutch shipbuilding has also been hard hit by the general economic weakness. During 1931 more ships were broken up than were built or repaired, and several thousand laborers in the shipbuilding industry are unemployed. The prospects for 1932 are regarded as not much better, since virtually no new orders are on hand.

#### SWISS PRESIDENTIAL ELECTION

Giuseppe Motta was elected President of the Swiss Republic on Dec. 17. This will be the fourth time that he has been thus honored, as he served in 1915, 1920 and 1927.

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## Party Struggle for Power in Spain

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By WILLIAM E. LINGELBACH

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**S**PAIN enters the year 1932 as the newest republic among the nations of the world, with a thoroughly up-to-date Constitution, a newly elected President and a constitutionally organized government. Much credit is due the men who carried through this remarkable trans-

formation in the political and economic life of the nation with so little violence. Of course there are still dangers ahead. Rumor reports lively activity on the part of the Communists in the Barcelona area and the demand on the part of more radical elements among the Socialists for a

sweeping social revolution. Serious strikes and labor disturbances have occurred and already Prime Minister Azana is accusing the Socialists and Republicans of the Right Centre of bad faith, "using the Castilblanco dead for political ends." How far the new government can maintain itself between the radical Left and the reactionary Right remains to be seen.

The new republican Constitutional Government was inaugurated during December. On Dec. 9 the new Constitution, consisting of 9 chapters and 125 articles, was adopted as a whole by the Cortes. The following day the Deputies chose Niceto Alcalá Zamora President of the republic. After the administration of the oath of office on Dec. 11 the Cortes accompanied the President to the royal palace, now the official residence of the President of the republic. As the red Presidential flag of the Executive was unfurled by the side of the red, yellow and purple flag of the republic, the guns again boomed the Presidential salute of twenty-one guns and the great crowds sang the stirring new republican march, "Riesgo."

With the adoption of the Constitution and the election of the President it might be assumed that the work of the Cortes had been completed and that the time for the election of a new constitutional Cortes had come. This is not, however, the view of the republican leaders, possibly because they sense a reactionary tendency in public opinion or because, having extended the franchise to women as well as to men of 23, they are too uncertain of the outcome. Moreover, they claim that a large amount of reconstruction remains to be done. To what purpose was the revolution and the constitution-making if the Constitution is not now implemented by supplementary legislation? Upon submitting the names of his new Cabinet to the Cortes, Prime Minister Azana said: "We have finished the first step. Now we must complete the revolution by drafting supplementary laws."

The formal resignation of the Cabinet was handed to the newly elected President at a gala reception of the diplomatic corps on Dec. 12. After conferring with Julian Besteiro, the Speaker of the Cortes, and other leaders, President Zamora asked Azana to form a new Ministry. He accepted the task and on Dec. 17 laid the names before the Cortes for approval. With two exceptions the Ministry remains as before, but these changes give the Cabinet a decidedly more radical complexion. Alejandro Lerroux is replaced at the Foreign Office by Professor Luis de Zuleito (Independent) and the important portfolio of finance is entrusted to Jaime Carner, a close friend and adviser of Colonel Macia. The combination known as the Lerroux-Azana alliance has apparently been abandoned, perhaps to hold the Left wing—the Socialists—in line. Serious anxiety prevails in some quarters over the dangers from the opposition of Lerroux and his powerful party. For the time being, however, he has promised the Ministry his moral support.

This is the more significant because dissatisfaction with the work of the Cortes prevails in many quarters, especially among the clerical groups. During the Presidential reception the Papal Nuncio startled the gathering by publicly reminding President Zamora of his duties to the Church and, according to some, demanding his resignation. On the first day of the new year a pastoral letter signed by two Cardinals, seven Bishops, forty-nine Archbishops and two vicars urged all Catholics to participate actively in civil and political life and to defend the sacred right of the Church to educate children. All who marry without the sanction of the Church will be deprived of the benefits of the Church. The Catholic Action Society (*Acción Católica*) has been organized with the definite purposes of securing constitutional revision and legislative redress against the "radical spirit of laicism."

Meanwhile, economic questions are

again to the fore. The first bill signed by the new President was a measure raising the tariff on fourteen classes of imports, including many items in which Americans are particularly interested. As the Spanish tariff was already the highest in Europe, the new act virtually excludes all products of nations which do not, like the United States, have favored-nation treaties. Several months ago France obtained favored-nation treatment by which she enjoys tariff rates averaging 50 per cent lower than those granted on similar products from the United States. Some thirty other nations have recently been granted favored-nation status in whole or in part. So far the efforts of the American Embassy at Madrid in this direction have been unsuccessful. American exporters are greatly concerned over the effects upon our commerce with Spain, which in 1929 amounted to \$118,000,000, \$82,000,000 of which was represented by exports to that country.

In accord with the program for economy, the drastic reduction in the army is being paralleled in the navy. Sixteen ships have been dropped, and in 1932 the personnel will be reduced to 6,000. Because of the great strategic importance of Spain's geographic position, there is considerable speculation in naval circles as to the significance of the present program.

#### *THE FASCISTS FIGHT DEPRESSION*

Economic questions concerned Italy particularly during December. Unemployment statistics at the end of November revealed the total number of unemployed as 878,000, the greatest number in the history of Fascism. With the trend of seasonal unemployment during the Winter months, the number is likely to reach 1,000,000. To combat the situation, Mussolini on Dec. 12 issued definite orders to Fascism to war on depression. The party is to consider itself in a state of political and moral mobilization.

All Fascists are to adopt a mode of life consistent with the conditions, to fight defeatism, profiteering and rumor-mongering, and carry on an intense propaganda to enlighten the nation on the enormous program of public works and relief organizations. Regional Fascist assemblies are ordered to be held under the direction of the secretary general of the party, whose work is to be developed and coordinated in a great meeting of the National Council of Fascist Federal Secretaries in Rome on Feb. 1.

Fortunately, the trade situation has been improving steadily. November exports exceeded imports by over \$2,000,000, the adverse trade balance of \$232,250,000 for the first eleven months of 1930 being reduced during the corresponding period for 1931 to \$80,750,000. This has been accomplished in two ways: first, by drastic reductions of imports, and, second, by a foreign trade policy that has maintained the flow of exports at the previous level. Indeed, if the fall in prices is taken into consideration, Italy has lost practically none of her foreign markets despite the present economic depression. Coupled with the concern for her foreign trade, a royal decree on Dec. 31 announced a subsidy system for Italian merchant vessels which should go far to secure a considerable share of the carrying trade.

Italian foreign affairs were inconspicuous during December. Foreign Minister Grandi's speech before the Senate upon his return from America again stressed the need for peace and Italy's support of disarmament. On the other hand, the Cabinet tacitly endorsed the estimated military expenditures for 1932, which equal those of the present fiscal year. Altogether the items amount to \$276,000,000, or about 25 per cent of the total budget of \$1,103,000,000.

#### *FASCISM AND THE VATICAN*

Relations between the Fascist Government and the Vatican have been friendly since the extremist leaders



of Catholic Action and of the Fascisti have been removed. After Father Enrico Rosa withdrew as head of the Vatican publishing house, the resignation of Deputy Giovanni Giuriati as secretary general of the Fascist party was inevitable and its announcement on Dec. 7 caused no surprise. Achille Starace, also a Deputy, and for almost eight years vice president of the party, was appointed to be his successor. The new secretary general is 42, has a remarkable war record and has been an active member of the Fascist party since its beginning. The transfer of authority was formally made on Dec. 8, Mussolini congratulating the retiring secretary for his work in "purifying" the party, and expressing his appreciation of Giuriati's great services to Fascism, particularly in the organization of the Fascist youth and in the development of its charitable and social service institutions. The significance of the former has been attested with particular emphasis recently by the phenomenal increase in the membership of the young Fascists from 440,000 to 760,000. Later in the month, and seemingly also in accord with the Vatican, Lando Ferreti, chief of the Fascist press bureau, the most powerful agency in the gathering and dissemination of news in Italy, was replaced by Gaetano Polverelli, a Deputy and the editor of *Il Popolo d'Italia*, the Duce's newspaper. Polverelli has been from the first an advocate of rapprochement with the Vatican.

Another cause of disagreement between the Vatican and the Fascist Government was removed when the Holy See announced through the columns of its semi-official organ, the *Osservatore Romano*, that Catholic University professors might take the oath to the Fascist régime because "Fascism is not a political party but the government of the nation." The oath, which reads as follows, is unique in academic circles:

I swear to be faithful to the King and his royal successors and the Fascist

régime. I swear loyally to observe the Constitution and the laws of the kingdom. I swear to fulfill my academic duties with the aim of forming industrious and upright citizens, devoted to their country and to the Fascist régime. I swear I do not belong nor will I belong to associations or parties whose activities are irreconcilable with the duties of my office.

More than 12,000 professors took the oath, but eleven refused. So far as the conflicting list of names permits of a correct statement, they are: Senator Francesco Ruffini, historian of Turin; Bartolo Nicrisoli, surgeon and pathologist at Bologna; Georgio Errera, chemist at Pavia; Lionello Venturi, Professor of the History of Art at Rome; Ernesto Buonaiuti, Professor of Christian History at Rome; Pietro Martinetto, Professor of Philosophy and Law at Milan; Ernesto Ruffini of Perugia; Senator Vito Volterra, physicist at Rome; Gaetano de Fantis; Georgio Ievi, mathematician of Bologna, and Mario Cerrara, physiologist at Turin.

On Dec. 21 Arnaldo Mussolini, the Premier's brother, died suddenly of a heart attack. Besides being editor of the Duce's paper, *Il Popolo d'Italia*, he was president of the National Benefit Association of Journalists and held various Fascist offices.

#### PORTUGUESE DICTATORSHIP ASSAILED

Dissatisfaction in Portugal with the Carmona régime was evidenced recently by a number of acts of violence and rioting. At Evora Cabinet officers, military officers, students and other supporters of Carmona clashed with the populace, shouting, "Down with the dictatorship!"

Steps are being considered for stabilizing the escudo somewhat below the present level. During the month the Minister of Finance is reported as saying that the escudo would remain stabilized at about 3 cents—that is, at 33.34 to the dollar. Export trade has increased considerably since the fall of the pound sterling. Prices are cheap and foreign buyers have been taking advantage of them.

# Penalty of Hungary's Extravagance

By FREDERIC A. OGG

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THE precarious financial situation of the State continued during December to be a main theme of discussion throughout Hungary. A report of the Supreme Control Bureau relating to extra-budgetary expenditures in the second half of the fiscal year 1930-31, revealed that the last half-year of Count Bethlen's government was characterized by a shocking waste of money. This had been known more or less before, but it had not been so well understood that most of the sums expended in excess of the estimates—a total of \$13,554,750—were for the purpose of secret or open armaments. The Minister of National Defense overdrew the amount approved by Parliament by the largest figure—\$2,675,970. But the Ministry of Education was not far behind, with a program of "physical culture" which had as its main objective the military preparation of youth, and which entailed, among other expenditures, \$244,860 for Summer manoeuvres of university military units. In some Central European countries the banks have had to shoulder much of the blame for bad fiscal conditions, but in Hungary the fault is largely that of the government itself.

At present it is not clear that the Karolyi Government, which succeeded the discredited Bethlen régime, has greatly bettered matters. On Dec. 11 five Opposition members of the economy committee of thirty-three appointed a few months ago to assist in reducing expenditures resigned because of dissatisfaction with the government's record. The Ministry—so these critics declared—has not relieved the country of unessential State

enterprises, curbed excessive outlays, or ended interference with legitimate private activities. Instead, it has laid new burdens on the people.

At the conclusion of recent negotiations, the Financial Committee of the League of Nations advised the Budapest authorities to continue paying their foreign obligations by cutting down the budget, but on Dec. 18 it became known that the government would soon announce the necessity for a one-year moratorium on most of the country's debt payments, both for interest and amortization. Four days later, the expected arrangement became effective for two-thirds of the foreign debt, with a probability that it would be extended to the remainder unless active trade balances could be achieved. An official statement declared the step necessary because trade balances had of late been insufficient to provide a surplus of foreign currencies acceptable to Hungary's creditors.

It goes without saying that the step taken was of concern to numerous investors in the United States. When the moratorium was proclaimed, American investments and credits in Hungary were estimated at \$179,000,000, including \$134,400,000 of governmental and corporate securities—nearly all in private hands. Indeed, more American money is invested in Hungary than in any other country in Southeastern Europe, although Austria is a close second. According to experts, American investors in Hungary will lose between \$12,000,000 and \$14,000,000 in the coming year. Announcement of the moratorium had been expected in Wall Street for sev-

eral weeks and resulted in only a slight fall in Hungarian securities.

In commenting on the moratorium, Budapest newspapers warned foreign creditors that they must not expect repayment of their \$160,000,000 short-term loans for two or three years, and therefore must reconcile themselves to converting them into long-term obligations. American banks have \$39,000,000 invested in short-term loans in Hungary, which, if the press forecast is to be accepted, will be irremediably "frozen" for some time to come.

On Dec. 12, Count Anton Sigray, now the most influential of the Hungarian Legitimists, told an American correspondent that his party would scorn to achieve its objective by means of an "Otto putsch" and frankly admitted that if the Habsburgs are not restored to the throne in the next ten or twenty years they will have lost it permanently. "Certainly the present," he said, "would be an impossible time to plan a Habsburg restoration," and he added that an international agreement by the more important powers would be an indispensable preliminary.

#### *CZECHOSLOVAKIA RECEPTIVE TO CUSTOMS ACCORD*

The rather exceptional prosperity which Czechoslovakia has enjoyed in an era of depression has of late begun to be seriously endangered by the penury of its customers and by the British tariff. Germany, Austria, Hungary, Poland, Rumania, Yugoslavia, and Great Britain—in that order of importance—account for 58 per cent of the country's foreign trade. But Germany has practically ceased to import; Austria and Hungary are dead markets unable to pay even for past imports; Polish, Rumanian and Yugoslav importing capacities are dubious; and Great Britain is restricting imports by tariffs and boycotting them by propaganda. Completely dependent for prosperity upon the generous flow of exports, Czechoslovakia is frankly disturbed by the outlook.

Most proposals for remedy look to

some form of "Danubian cooperation," not—in the immediate future, at all events—a customs union, but a preferential system embracing Czechoslovakia, Yugoslavia, Rumania and also Austria and Hungary. These countries, to be sure, would still maintain certain tariffs against each other, but far lower than against the rest of the world. No large State, like Germany or Italy, which might dominate the group, would be accepted as a member. If all went well, the eventual result might well be a full-orbed customs union.

Notwithstanding a common need for rejuvenated trade, the plan gives small promise of early adoption. Hungary objects because of the predominance of the Little Entente States and because it is too "agrarian"; other States regard it as too political; Germany could be counted on to resist it as an obstacle to achievement of the Austrian Anschluss. Meanwhile, feeling that she is still in a stronger position than the rest, Czechoslovakia awaits overtures from her neighbors.

From Dec. 2 to 4, the fourth conference of the Czecho-Polish Press Entente was held at Prague for discussion of the international situation and of means by which the press of the two countries can best serve the nation's interests. One of the two principal resolutions adopted noted the growth of revisionist propaganda and took a strong position against it, maintaining that "the new world order, created by the sacrifices in the World War, must be preserved." The second resolution warmly endorsed that portion of the note of the Polish Government concerning "moral disarmament" which was filed with the Secretary General of the League of Nations earlier in the year.

#### *POLISH FOREIGN POLICY*

A Soviet-Polish non-aggression pact was under discussion during the closing weeks of 1931, and on Dec. 26 the Polish Ambassador to Moscow, M. Patek, appeared in Warsaw, following

negotiations with Foreign Commissar Litvinov, to put the finishing touches on the project. The matter has been under consideration at intervals for as long as nine years. In 1926, a definite Soviet proposal was made, but nothing came of it since Poland declined to adhere unless a similar pact were concluded between Russia and Rumania. During the more recent negotiations, in which the initiative was again taken by Moscow, it became apparent that Poland would not insist upon a parallel Rumanian agreement, although steps looking to such an agreement were contemplated both at Moscow and at Bucharest. In view of the difficulties at home, the necessity of keeping a watchful eye on the Far East, an uncertain situation in Germany and the rehabilitation of the Conservatives in Great Britain, Moscow has of late been more amenable to Polish suggestions than in earlier days. The movement is regarded as the most favorable one that has appeared to complete a series of agreements calculated to insure quiet not only on the Polish but also on other European fronts. Poland insists that she has no aggressive aims toward Russia and indicates that she would be glad to conclude a commercial treaty as well.

Foreign Minister Zaleski visited London in December in the hope of removing alleged British misunderstanding of Polish foreign policy. A main theme of discussion was disarmament. The Polish view of the conditions deemed indispensable for security which were presented closely resembled that already made familiar by French pronouncements on the same subject. As the British view the situation, Poland—now a leading Central European power and situated between two unfriendly countries, Russia and Germany—is as able to block disarmament as France herself.

#### *FARM CONFERENCE AT SOFIA*

The Ministers of Agriculture of the Central and Eastern European agra-

rian States met at Sofia in the middle of December to consider modes of improving the agricultural situation. Declaring that efforts by individual States or regional treaties to relieve the depression are useless, the conference went on record for such cooperation as will insure "a single European market." It also condemned the exchange restrictions prevailing in Central Europe because of their adverse effect on trade and called for the conversion of short-term agrarian debts into long-term obligations.

In an official statement on the results of his visit to the Turkish Government at Ankara, which had given rise to reports that an entente was being formed by Bulgaria, Greece and Turkey, Premier Muschanov announced on Dec. 8 that a Bulgarian-Turkish commission had been established to regulate economic questions between the two countries. He admitted that political matters had also been discussed, including the international situation and the special situation of the Balkans, and said that unity of view had been established regarding them.

#### *MEETING OF YUGOSLAV PARLIAMENT*

After a three-year interruption because of the dictatorship the Yugoslav Parliament met on Dec. 7. By right of seniority, the 80-year-old Professor Spinichich, once a member of the Austrian Imperial Parliament, assumed the president's chair and, by an impassioned panegyric of King Alexander, stirred the body to a notable demonstration of homage. Among the Deputies were many who, although now appearing under the banner of the government's National party, could be identified as prominent members of the older parties placed under the ban during the dictatorship.

#### *RUMANIAN AFFAIRS*

Conflicting reports concerning the political consequences of the elopement of Prince Nicholas and Mme.



Jana Deletj on Nov. 8 were resolved in the middle of December by the authoritative announcement that the Prince had agreed to renounce his bride and that a complete reconciliation between him and his brother, the Rumanian monarch, had taken place.

It became known on Dec. 28 that the Rumanian National Bank had received a credit of \$10,000,000 from the Bank of France to be used during the Winter, when the export of grain is difficult because the banks are short of foreign exchange.

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## Finland's Verdict Against Prohibition

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By JOHN H. WUORINEN

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A NATIONAL referendum on the question of prohibition was held in Finland on Dec. 29 and 30. Although the final tabulation of the vote was slow in being completed, it was early apparent that the Wets had carried their program for repeal by a much greater majority than had been expected. Approximately 50 per cent of the electorate went to the polls to express an opinion on prohibition, and 70 per cent of these voters favored the repeal of the existing system.

The government bill providing for a consultative referendum on prohibition had passed the third reading on Dec. 12, with only fourteen dissenting votes. The majority for the bill was surprisingly large as the measure obtained a majority of only fourteen votes in the second reading three days earlier. The questions upon which the Finnish citizenry was asked to register opinion were: (1) "Shall the prohibition law be retained in its present form?" (2) "Shall the prohibition law be replaced by an enactment which permits the manufacture and sale of milder alcoholic beverages, under a system of control and taxation?" (3) "Shall the prohibition law be replaced by an enactment which permits the manufacture and sale even of stronger alcoholic beverages, under a system of control and taxation?"

During the fortnight before the

referendum, the country was greatly aroused by the campaign waged by the Wets and Drys. The keynote of the Wet attack was sounded by the government itself when the referendum bill was submitted to Parliament on Dec. 3. According to the government, twelve years of prohibition had brought forth none of the blessings expected when the law became effective in June, 1919. The continued wholesale violations of the law not only nullified the efforts to enforce prohibition, but led to a growing spirit of general lawlessness. Prohibition brought unfavorable economic consequences in its train, by placing a heavy burden on citizens living on lawful incomes, while the horde of purveyors of illegal intoxicants escaped taxation. Sobriety did not become more general, while crime grew by leaps and bounds. The imperative need for new sources of income, without which the budget difficulties of the past few months could not be overcome, demanded a policy of taxing the liquor trade which admittedly existed in spite of the efforts to outlaw it.

The campaign was interesting for the fact that party lines and divisions disappeared, for all the political organizations—the Liberal, Agrarian, Conservative and Swede-Finn—were unwilling to participate in the contest as parties. The Socialists and Agrar-

ians, however, contributed much to the Wet cause, while the clergy appear to have supported the friends of prohibition. The only body in Finland that has been laboring for years for the repeal of the law, the Association for Temperance Without Total Prohibition, opposed the vote as late as Dec. 6. It was contended that the government should repeal the law without a referendum, because a national vote would not result in a real test of public opinion since the voters would probably be misled by the well organized Dry groups. Apart from the clergy, vocational or class lines were erased during the campaign. The contention frequently heard during recent years, that the prohibition law represented class legislation supported by the lowly, and opposed by those who sit in high places, or that the Finnish-speaking part of the population has been the friend of the law, while the Swede-Finns have been its enemies, was shown to have no basis in fact.

While the referendum was consultative and not mandatory, the government stood ready to act upon it at once. A new liquor bill was outlined even before the outcome of the vote was known. The measure, reported on Jan. 6, included the following main features: Strict government control of the traffic in strong drink; a ban on sales in holiday periods; limitation of the stocks of authorized dealers; supervision of the liquor trade by a board of control consisting of eleven members chosen by the Cabinet with the approval of Parliament.

#### **SWEDEN'S ECONOMIC PROBLEMS**

A serious conflict between capital and labor in Sweden was averted on Dec. 21, when, after prolonged negotiations and the mediation of a government committee, an agreement was reached between employers and workers in the iron and machinery industries. The truce will assure jobs for some 60,000 men during the current year.

Interesting figures on Swedish State lotteries were made public on Dec. 5. For the past thirty-five years the State has held lotteries as a safety-valve for the gambling spirit of the nation, while receiving substantial revenues from taxes on the lotteries. The Royal Opera and various theatres and musical organizations have been aided substantially by income from this source. The Royal Dramatic Theatre, a marble edifice in the heart of the capital, was built with funds obtained from the lotteries, and the Swedish Red Cross, the Swedish Cyprus Archaeological Expedition, the Swedish Olympic Games Committee, hospitals and so forth have benefited also.

#### **SWEDISH STATE RAILWAYS**

The Swedish State Railways recently celebrated their seventy-fifth anniversary, a celebration which marks practically the end of railroad building in Sweden. Except for a few strategic links in the far North and some minor lines in the South, built partly as emergency unemployment relief, no new construction is in progress or is contemplated. On the other hand, further electrification of existing lines is under way, and since Sweden has no coal but plenty of hydroelectric power a gradual change from steam to electricity is likely. In spite of the depression and the competition of motor cars and buses, the Swedish State Railways, the country's largest business enterprise, whether public or private, have managed to pay a fair rate of interest on the capital invested. Under the management of Axel Granholm, himself an old-time construction chief in the Arctic Zone, the gross income for the first nine months of 1931 was 125,300,000 kronor (at par the krona is worth 26.8 cents) and the expenditures 107,000,000 kronor, leaving a surplus of revenue over expenses of 18,300,000 kronor.

The first two railroad lines in Sweden were opened in December, 1856. Since then the system has ex-

panded to a total of about 10,505 miles, and of these the State owns 4,111 miles. From the first the principle was laid down by the Swedish Parliament that the State should build and own the main lines, while private interests should control the feeders. Some foreign capital, chiefly British in the minor lines, was invested, but now most of the securities are held by Swedes. Though the State owns but 40 per cent of the mileage, its trains have 45 per cent of the seating capacity and 51 per cent of the freight space. In 1929 the publicly owned trunk lines carried 61 per cent of the passengers and 64 per cent of the freight; their income was 67 per cent of the total revenues. The trunk line between Stockholm and Gothenburg was electrified in 1926 at a total expense of 42,000,000 kronor. The running time was thereby cut down from nine to seven hours, while 115,000 kronor are saved each year in operating expenses. Now the other main trunk line in the country, that from Stockholm to Malmö, in the extreme south, is being electrified. The distance is nearly 400 miles and the total cost will approach \$20,000,000. When this program is completed in 1934, the running time of the through trains from Stockholm to Berlin and Hamburg will be cut by several hours. In all more than 1,134,000,000 kronor have been invested in the construction of the Swedish State Railways, on which the traffic last budget year yielded a return of 3.94 per cent. To meet the ever-growing competition by motor buses, the railway administration has opened its own bus routes in the parts of the country lacking modern transportation facilities.

#### **THE DANISH ECONOMIC SITUATION**

During the closing weeks of 1931, the economic crisis in Denmark showed no signs of improvement. A year ago, the unemployed numbered some 43,000; on Dec. 1, 1931, the corresponding figure was over 82,000. Most of this increase was reported

during the closing months of the year—about 37,000 since Oct. 1, the date when the Riksdag decision concerning extra unemployment relief went into effect. During the month the British slogan, "Buy British," had a disquieting effect upon the Danish agriculturists, because Great Britain is Denmark's best customer. Agricultural products sold in recent months brought the lowest prices in twenty-five years. Two government measures designed to improve the situation were taken during the month. A special commissioner was appointed to control the National Bank transactions in foreign credits, and an effort was made to provide Danish agriculture with a central clearing house for the purchase and sale of foreign credits.

#### **LATVIAN CABINET CRISIS**

The Latvian Cabinet crisis was ended on Dec. 5 when Mr. Skujeniecks succeeded in forming a new government, although two of the portfolios were assigned but tentatively. The new Cabinet obtained the support of the Legislature by a vote of 51 to 36. The opposition was composed of the Social Democrats, the Communists, and the Russian, German, Jewish and Polish minority representatives. The program of the Skujeniecks Ministry stressed the necessity of finding remedies for the present economic depression, and advocated import restrictions, additional customs dues and assistance for domestic agriculture and industry as the means for improving the situation. It was intimated also that recourse would be had to increased taxation, reduction of the salaries of the higher public servants, and to the establishment of certain State monopolies. Some of the items of the new economic policy were made known on Dec. 15, when it was announced that the government would establish a sugar monopoly, that real estate taxes were to be increased by 100 per cent, income tax by 50 per cent, railway tariffs by 20 per cent,

and that a special "depression tax" would be levied.

#### LITHUANIAN PRESIDENTIAL ELECTION

The law providing for the election of a President in Lithuania was signed on Nov. 25. The Electoral College convened on Dec. 11 and proceeded to the first election of the Chief Executive since the coup d'état, about

seven years ago. The electors agreed unanimously that the present incumbent, A. Smetona, should be continued in office. President Smetona was sworn on the same day, and will serve for a seven-year term. The President is 57 years of age, a lawyer by profession, and has held several important government posts in the course of an active political career.

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## Soviet Anxieties Over Five-Year Plan

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By EDGAR S. FURNISS

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THE session of the All-Union Executive Committee which convened on Dec. 22 brought together 2,000 delegates from all parts of the Soviet Union to survey the achievements of the past year and to pass upon plans for the completion of the Five-Year program during the next twelve months. This body is a central unit in the broadest governmental framework of the country, corresponding in structure, though not in the extent of power which it wields, to the Congress or Parliament of other Federal States. It stands in contrast, on the one hand, with the governmental organs of the Communist party, which are the real repository of political authority in the Union; and on the other hand with the official agencies of the constituent members of the Federal Union—the governments of Russia proper and the six other major constituent republics—upon which falls the chief burden of administration. The meeting of this body was but one step in a succession of important political conferences which are intended to bring all these divisions of constitutional and extralegal authority in Russia to bear upon the great problem of planning for the future. Immediately preceding the opening of the All-Union Con-

gress the Central Executive Committee of the Russian Soviet Republic (Russia proper) met to receive from President Kalinin a digest of the plans as they affect this predominant member of the Union. On Jan. 30 a meeting called by Stalin as Secretary General of the Communist party drew into conference the entire officialdom of the party organization from all its regional and functional divisions throughout the Union. After these deliberations, the rank and file of the party membership assembled, through their elected representatives, in a congress which, possessing the ultimate political authority, passes final judgment upon these plans.

The substance of the official attitude toward the current achievements of the program, as well as the main lines of advance mapped out for the coming year, was clearly set forth in the meeting of the All-Union Executive Committee through the speeches of Molotov, Union Premier; Quibeshev, President of the State Planning Commission, and Grinko, Commissar of Finance. Whatever anxieties the leaders concealed, Molotov's review of the third "decisive" year, just past, was a virtually unqualified endorsement of the record thus far achieved, and a confident prediction that the entire



program would be completed eight months before the appointed time.

To the impartial student of these matters both phases of the statement appear to be at variance with the facts. It is true that a judicious use of statistics can make it appear that the Five-Year program is at present well ahead of schedule. This can be shown with regard to the structural form, though not the productivity, of the agrarian economy; or, to repeat the statistics selected for emphasis by Molotov, it can be shown that there are now 18,000,000 industrial workers in Russia, as compared with the 15,000,000 provided for at the end of the fifth year; that total capital investment next year will be above 78,000,000,000 rubles, as compared with the 54,000,000,000 originally scheduled for 1933; that industrial production stated in ruble prices is already above the ultimate expectations of the program. But such a marshaling of statistics fails to tell the whole story. No reliance can be placed upon evidence which runs in terms of ruble values (at par a ruble is worth about 50 cents), because of the wholly artificial character of this standard of measurement. The labor supply may be large in absolute numbers, but the significant fact, as admitted by Molotov, is that the productivity of labor is only 60 per cent of the expected rate. Moreover, as regards the supreme objective of the program—the attempt to render Russia self-sufficient in the basic heavy industries—other statistics which might have been quoted would have placed a very different estimate on the record. In the three categories of coal, iron and steel, for example, the program for the past year called for outputs of 77,000,000 tons, 8,300,000 tons and 8,800,000 tons, respectively; while the actual accomplishment was approximately 66,000,000 tons of coal, 5,000,000 tons of pig iron and 5,000,000 tons of steel.

The program for the immediate future was discussed in detail by Qui-

beshev, who laid before the congress the control figures for 1932. The program is expressed in a maze of statistics which it is impossible even to summarize in limited space; but its general character can be made clear by a few comparisons of the schedules with each other and with corresponding figures for the previous year. Of primary importance is the change of emphasis from the construction of capital to the supplying of consumers' needs. There is to be a 100 per cent increase in housing, a 50 per cent increase in expenditures on the cultural and social services of the State, a 30 per cent increase in the supplies of factory products for household use, a 33 per cent increase in wages, and an indefinite increase in the food supply for home consumption. These rates of change may be contrasted with a proposed 8 per cent increase in steel production, 8 per cent in iron, 16 per cent in coal, and a general increase of 30 per cent in capital investment. The obvious intention is to call a halt upon the headlong pace of industrialization, which, as disclosed by the experience of the past six months, was leading to disappointment; and to relieve the pressure upon the overburdened people. The change of direction has the additional merit of reducing the reliance of the program upon imports and avoiding a further dangerous increase in Russia's foreign indebtedness. These adjustments to the necessities of the case are to be made without confession of failure as regards the general purposes of the program as a whole. The new control figures make an impressive forecast of increase in total national income amounting to over 11,000,000,000 rubles; and Quibeshev repeats Molotov's assertion that the schedules represent a completion of the original Five-Year program well ahead of time.

It can be shown by analysis of the figures that this interpretation of the proposed rate of progress is no more in harmony with the facts than was Molotov's characterization of the ac-

complishments of the past year. Here, too, statistics which run in value terms must be heavily discounted if not disregarded entirely, and attention must be focused upon measures of concrete product. Referring again to only a few of the basic categories, it is to be noted that, whereas the original program called for a steel production of 10,500,000 tons in the final year, the revised figure for 1932—now the last year of the program—specifies 9,500,000 tons; the final estimates of pig iron have fallen from 10,000,000 to 9,000,000 tons; electric power from 22,000,000,000 to 17,000,000,000 kilowatt-hours. Coal is almost a unique exception among the basic industrial categories; in this case the new figures call for an increase of 15,000,000 tons over the original estimates for the final year. Even if the program for 1932 is completely fulfilled, the Five-Year Plan will have fallen short of accomplishment. But it is a safe prediction that the plans for 1932 will not be fulfilled. In coal, steel and iron last year's actual record shows a deficit of nearly 50 per cent as compared with the control figures for 1931. The figures for 1932, sharply revised downward though they are, call for a doubling of actual output in these industries in the space of twelve months, starting from a level which demanded the utmost human effort that dictatorship could induce. Merely to state the dimensions of the task which the Soviet leaders have assumed for the coming year is sufficient to make it appear beyond the capacity of the nation to perform. The truth is that from the point of view of domestic politics the details of the program have lost their importance.

It is from the standpoint of Russia's position in international economic affairs that the specific figures of the program acquire significance. The revised forecasts of progress in industry would seem to set at rest all fears that the Soviet Union was soon to rise to the forefront among industrial na-

tions. It now appears that even if the plans for 1932 are completed successfully the Soviet Union will still be on a relatively low plane with regard to basic industrial activities. The achievements of 1931 in coal, iron, steel and electric power were, on the average, about 10 per cent of the productivity of the United States in these lines. The figures for 1932 propose to double the rate of productivity in these industries, but this, impossible of fulfillment as it seems, would still leave the Soviet Union far behind advanced industrial nations. The emergence of an industrial giant created by the magic of planned economy out of a simple peasantry is an event of decades, if not of generations, in the future—not a matter of a few years, as has been supposed. And this is even more true of the general lines of factory production in which fear of Soviet competition in world markets has been especially disturbing. The plans for 1932 do not come within measurable distance of meeting the demand of the Russian market for products of this character. For other nations to base their policy on forecasts of the effects of the Five-Year Plan implies a disregard for obvious facts.

#### *RUSSIA'S FOREIGN POLICY*

In the sphere of foreign relations the year just past has witnessed one rather far-reaching change in the position of the Soviet Union. A year ago the dominant factor in European politics was the development of a bloc of States opposed to French hegemony on the Continent. The basis of this development was provided by the opposition of the Central European powers to the conditions imposed upon them by the Versailles treaty; Italy, by her distrust of France, was induced to lend her support. The situation thus created gave the Soviet Union opportunity to increase her political influence in Europe and in particular to gain strength at the expense of her Western neighbors, who are allies of France, by throwing her weight into

the scale on the side of the anti-French bloc. Accordingly, her European policy was characterized by a rapprochement toward Germany and Italy and a common cause with these States and Austria in the problems of the League of Nations. When Germany's financial collapse put an end to this movement the Soviet Union shifted the direction of her European policy. Her new policy is indicated by the negotiations with France and Poland looking toward the establishment of non-aggression pacts and liberal trade treaties and by her proposals to the League of Nations for disarmament and economic non-aggression. Premier Molotov, at the recent meeting of the All-Union Central Executive Committee, expressed his belief that the negotiations with France and Poland would be successful, and stated that Rumania, Estonia and Finland had expressed a desire to enter into pacts of similar character with Russia. Instead of a Europe divided into two opposing camps, with the Soviet Union holding the balance of power, Russia is now working to create a disarmed continent within which each important State will be neutralized by individual treaty, thus providing an arena in which her own potential economic strength may find opportunity for unhampered development.

With non-European States Soviet relations have changed but slightly during the course of the year. There has been some strengthening of her position in Asia Minor, one of the strategic points in the international

setting. As a result of Litvinov's visit to Ankara in November the friendship between the Soviet Union and Turkey was further cemented. On the American Continent the attitude toward Russia has grown, if anything, more unfriendly, with the triumph of the embargo movement in Canada and with maintenance by the United States of her traditional policy of critical aloofness. In the Far East the expected increase of Soviet influence due to the disintegration of China has not occurred, and there is no present prospect that Russia will recover the position of dominance in Chinese policy from which she was driven five years ago. The Manchurian crisis has had the effect of testing the cordiality of Soviet-Japanese relations, which recently were improved by the settlement of the dispute over fishing rights. From this point of view, the one obvious result of Japan's invasion of Manchuria has been to demonstrate the security of her treaty of friendship with the Soviet Union. The consideration for Soviet susceptibilities shown by the Japanese military forces on the one hand and the tolerant attitude of the Kremlin on the other have turned a dangerous situation into an exhibition of mutual interest. It is noteworthy that the official Soviet press, after the first flurry of misgivings, has expressed no distrust of Japanese policy, but has leveled its attack against unnamed "capitalistic" enemies whose sinister attempts to precipitate a Russian-Japanese war have proved unavailing.

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## Proposed Union of Syria and Iraq

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By ALBERT H. LYBYER

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**D**URING November certain journals of the Near East discussed seriously the possibility of King Faisal of Iraq becoming also King of Syria, thus bringing the two

countries together under one ruler and making possible a future political unification. The combined area would be about 240,000 square miles, somewhat larger than France, with a pop-

ulation of less than 6,000,000. Syria and Iraq have already been under one government, since for 400 years before 1918 they were parts of the Ottoman Empire. The peace settlement after the World War gave France a mandate over Syria and Great Britain similar control over Iraq. The latter is about to be recognized as a practically independent State and admitted to the League of Nations.

A Constitution for Syria, in the narrower sense, was proclaimed by the French in May, 1930, and an Assembly was recently elected under this instrument. The proponents of union with Iraq would have this Assembly proceed to such amendments as would make Syria a kingdom, and then choose Faisal as King. Previous agreement with France would be necessary for these steps, however, since French mandatory rights were bestowed by the League of Nations and expressly reserved in the Constitution. Here, indeed, is the difficulty of the proposal. Faisal has already once been proclaimed King of Syria—in 1920—but he was driven out by French arms. Subsequently made King of Iraq by Great Britain, and in special treaty relationship to that power, he would have to arrange another treaty relationship with France. Such a double connection would be unprecedented and of doubtful practicability. A common bond, however, exists in the joint interest of France and Great Britain in the oil of Mosul. The projected pipe lines there would give physical expression to this connection.

Perhaps a more serious obstacle to the plan than the difficulty of agreement between Great Britain and France is the absence of unanimity in Syria itself. The Lebanon would surely not wish to enter a State wherein Mohammedan predominance would be more marked than ever. The Druse Mountain has expressed opinions unfavorable to unity with the Syrian State. Most significant of

all, the elections in Syria itself have been turbulent and violent beyond precedent.

Nationalists favoring a republic and Royalists favoring a monarchy began to clash before the beginning of the elections on Dec. 20. Members of the former group charged French officials with seeking to influence votes in favor of certain candidates. The French flatly denied having done this. On the day of the elections fighting took place in various towns, including Damascus, Doma, Hama and Aleppo. In the first-named city, troops fired on the mob, killing five and wounding fifty. The government thereupon stopped the elections until peace was restored. In certain regions the voting was completed, however, with success for moderate rather than extremist candidates.

#### *IRAQ STATEHOOD APPROVED*

On Jan. 5 the Permanent Mandates Commission of the League of Nations published a special report in which it recommended that Iraq be recognized as a sovereign State, provided it become a member of the League. The recommendation is not without qualifications. The commission would not have approved termination of the mandate had not Great Britain assumed the continuation of some responsibility. Opinion was expressed that the Anglo-Iraqi treaty of June 30, 1930, does not "explicitly infringe upon the independence of the new State." Without the League's protection, however, Iraq would not fulfill the conditions of being able to maintain its territorial integrity and political independence.

#### *THE MOSLEM CONGRESS IN JERUSALEM*

Haj Amin el Husseini, Grand Mufti of Jerusalem, was elected president of the Moslem Congress which began its sessions in Jerusalem on Dec. 6. Subcommittees were elected to make reports upon the protection of the holy places, the establishment of a Moslem University at Jerusalem and



the control of the Hejaz railway. The Egyptian delegates refused to serve on these committees. In later meetings attacks were made on the Zionists and on British policy in Palestine. Among the resolutions finally adopted were a protest against the Jewish National Home, a proposed boycott by Moslems of Jewish goods manufactured in Palestine, a rejection of the decision of the Wailing Wall Commission, and a project for a \$5,000,000 corporation, to be shared by all Moslems of the world, which would combat Jewish nationalist activities in Palestine. This corporation would

create the desired Moslem University at Jerusalem.

Meantime, the Opposition party, led by Raghib Bey Nashashibi, Mayor of Jerusalem, condemned the Mufti's assumption of leadership. They also passed a series of resolutions, in which they called themselves "the congress of the Palestine Moslem nation," refused to recognize the Mufti as president of the congress, and proposed negotiations with other Moslem countries for another general congress independent of any Moslem kingdom and uncontrolled by any European power.

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## Japan's Occupation of Manchuria

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By HAROLD S. QUIGLEY

*Professor of Political Science, University of Minnesota; Current History Associate*

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DISREGARDING the resolution adopted by the Council of the League of Nations on Dec. 10 and the representations of Great Britain, France and the United States, the Japanese Government authorized its forces in Manchuria to complete the occupation of that region. Accordingly, a military movement began on Dec. 21 to drive out of Chinchow the government of Marshal Chang Hsueh-liang and the army of that government, which, according to the common consent of neutral military observers at Chinchow, was peaceably garrisoning the city without any intention of making futile efforts to recover territory already in Japanese occupation. On Jan. 2 Chinchow was in Japanese hands. Although threats of attempting to hold the place had been issued from Peiping, Chang Hsueh-liang's present capital, they were merely in response to the vehement student agitation for war, and Chinchow was surrendered without bloodshed. The ten-day drive from the South Manchuria Railway zone was, however, attended

with sporadic fighting and with the bombing of Chinese towns and villages by Japanese airplanes. Japan's highly superior equipment and discipline, together with the numerical adequacy of her forces, made easy prey of the scattered units of Chinese soldiers—called bandits by the Japanese in order to create an apparent justification for the continuance of their campaign of conquest.

Thus it was that Chang Hsueh-liang, the able young dictator of the three Eastern provinces, whose willingness to cooperate with the Nanking Government in the upbuilding of a united China distinguished his rule from that of his father, Chang Tso-lin, was turned out of his last foothold in Manchuria. For Chang Hsueh-liang's departure the Chinese peasants will not mourn, since they know him as a ruler who acquiesced in their being mulcted by official banks which bought their soya beans with depreciated paper and sold them for gold yen. But at the repression of the national spirit through which alone the

unity that the powers have been demanding as the condition of treaty revision is possible—a repression which the Japanese Government has been seeking means to accomplish ever since Chang Hsueh-liang succeeded his father in 1928 (see article by Wilbur Burton on pages 650-654)—both the Chinese and all who believe that one of the world's greatest peoples should be allowed to work out its own methods of government cannot but feel profound regret.

Japan's action contravened the undertaking of her government stated in the League's resolution of Dec. 10 "to adopt all measures necessary to avoid any further aggravation of the situation and to refrain from any initiative which may lead to further fighting and loss of life." That this is a fair conclusion is witnessed by the representations of the United States and other powers. The Japanese reservation of the right to "take such measures as may be necessary to assure directly the protection of the life and property of Japanese subjects against bandits and lawless elements" did not cover so portentous a move as the expulsion of the surviving representatives of Chinese sovereignty. Secretary Stimson stated on the day the League's resolution was adopted that "the future efficacy of the resolution depends upon the good faith with which the pledge against renewed hostilities is carried out," and when it became known that Japan intended to advance to Chinchow he instructed Ambassador Forbes in Tokyo to express the opinion that such a move would have a bad effect upon world opinion. Again on Dec. 22 Ambassador Forbes received instructions to express the concern of his government at Japan's reported program respecting further military action. Concurrent representations were made by Great Britain and France.

Japan's replies to the three powers, made on Dec. 27, exhibited the extent of her present pretensions. In a statement issued the same day, the Japa-

nese Government baldly asserted that it must assume the duty of keeping order, since Japan's acts of self-defense had resulted in the flight or resignation of the constituted Chinese authorities. It listed "bandit" raids and charged the Chinese with bad faith in failing to withdraw from Chinchow upon request. It also declared that the Chinese authorities, "while simulating an unaggressive attitude," were continuing "to instigate and manipulate bandit organizations." No reference was made to the effect of the Japanese occupation in turning regular troops into irregulars by the dispersion of Chang Hsueh-liang's armies. The frequently reiterated refrain sung by the Japanese in the days when Chang Tso-lin ruled Manchuria more accommodatingly, the refrain which compared conditions in Manchuria so favorably with those in the bandit-ridden Middle Kingdom, apparently has been forgotten.

Ambassador Forbes filed a protest at the Japanese Foreign Office in December, in which it was contended that the "open door" policy in Manchuria was being violated inasmuch as payment of debts due from the former government of Manchuria to American firms was being delayed. Assurances were given that the debts would be paid. More serious was the news that Japan had assumed direction of banks, public utilities, cotton mills and power plants, and had amalgamated 677 miles of Chinese railways under Japanese mortgage with the South Manchuria Railway. It appeared that economic as well as political suzerainty was in process of thorough establishment.

In consequence of this extension of Japanese dominance in Manchuria the United States consulted with Great Britain and France as to what action should be taken, and on Jan. 7 Secretary Stimson sent to the Chinese and Japanese Governments the following note, copies of which were also handed to the diplomatic representatives of

Belgium, Great Britain, France, Italy, Holland and Portugal:

With the recent military operations about Chinchow, the last remaining administrative authority of the government of the Chinese Republic in South Manchuria, as it existed prior to Sept. 18, 1931, has been destroyed. The American Government continues confident that the work of the neutral commission recently authorized by the Council of the League of Nations will facilitate an ultimate solution of the difficulties now existing between China and Japan.

But in view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Imperial Japanese Government and the government of the Chinese Republic

That it cannot admit the legality of any situation *de facto*, nor does it intend to recognize any treaty or agreement entered into between those governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open door policy;

And that it does not intend to recognize any situation, treaty or agreement which may be brought about by means contrary to the covenants and obligations of the Pact of Paris of Aug. 27, 1928, to which treaty both China and Japan, as well as the United States, are parties.

The meaning of the note was explained by the State Department as follows:

In the first place, of course, we have no desire to question Japan's legitimate treaty rights in Manchuria. We do not intend to interfere with them in the slightest degree. In the second place, we have no desire to intrude ourselves into any settlement which Japan and China may make of their present unhappy difficulties, except—and these are the exceptions:

First, that nothing in that settlement must impair our rights or our citizens' rights in China as set out in the open door policy and in the Nine-Power Treaty, which embodied the open door policy, and,

Second, except that the settlement should be not achieved by a violation of the methods agreed to in the Kellogg pact.

That is the substance of the position which we have taken.

President Hoover on Jan. 7, when he received the credentials of Dr. W. W. Yen, the new Chinese Minister to the United States, also indicated that this country intended to assert its rights in Manchuria regardless of what other governments might do.

American susceptibilities were touched when Consul Culver B. Chamberlain, stationed at Harbin, was on Jan. 3 maltreated on a Mukden street by two Japanese soldiers and a civilian interpreter. Upon a protest by Consul Myrl S. Myers at Mukden, and representations by Minister Nelson Johnson, Ambassador Debuchi delivered to the Secretary of State an expression of his government's sincere regret at the unfortunate incident. Secretary Stimson, however, declined to regard this as closing the incident, though accepting the expression of regret as an apology, since the matter could not be settled until Consul Chamberlain's assailants had been punished.

#### NEW JAPANESE CABINET

The Japanese Cabinet resigned on Dec. 11 when Kenzo Adachi, the Minister of Home Affairs, declined to attend Cabinet meetings. He had sponsored the idea of a coalition Cabinet in which his own party, the Minseito, should combine with the major party in opposition, the Seiyukai. This proposal was not favored by Premier Wakatsuki. Adachi became recalcitrant and the fall of the government resulted. The large number of Minseito members in the House of Representatives owe their seats to Adachi, who, as Home Minister, was in general charge of the 1930 election. In consequence of their loyalty to him the government would have found itself in a difficult position in the Diet had it continued in office.

It was believed that behind the personal issue the cause of the resignation of the government, which won by a landslide in 1930, was the question whether the embargo should be reimposed upon the export of gold. The great Mitsui trust, consistent backer

of the Seiyukai, as well as other important corporations, desired the embargo both on general grounds and in order to liquidate profitably large holdings of gold dollars. Since removal of the embargo in January, 1930, gold to the value of \$291,000,000, had been sent to the United States, much of which represented speculation looking toward the reimposition of the embargo. Foreign policy was thought to have played only a minor part in the overthrow of the Cabinet, since Baron Shidehara, as Foreign Minister, had cooperated closely with the military departments once the decision upon intervention had been taken. It is noteworthy, however, that the occupation of Chinchow did not occur until after Shidehara had left the Foreign Office.

Upon the advice of the surviving genro, Prince Saionji, Hirohito Tenno appointed Ki Inukai, President of the Seiyukai, to the position of Prime Minister. As Foreign Minister in his Cabinet he chose K. Yoshizawa, his son-in-law.

The Seiyukai holds only 171 seats in the lower house of the Diet, to the Minseito's 251. Should it desire to improve its position by holding a special election, there is little question that it could overwhelm the opposition by appeals to patriotism. Premier Inukai, a converted liberal, is past 70. Prince K. Kanin, head of one of the collateral houses of the Yamato dynasty, was appointed Chief of the General Staff of the Army.

The new government proclaimed an embargo upon the export of gold, effective on Dec. 13. As was expected, the yen reacted by dropping several points. It continued to decline throughout December, with prospects of reaching 30 cents from a par of approximately 50 cents. With warehouses stuffed with raw materials, Japanese industrialists watched the drop with equanimity, looking for-

ward to regaining markets recently lost to Great Britain.

Premier Inukai intimated that his government would adopt most of the budget of former Finance Minister J. Inouye. The deficit was to be met by borrowing, and spending was to be substituted for retrenchment. On foreign policy Mr. Inukai was quoted as declaring that as soon as the Chinese forces retired from Chinchow "Japan will evacuate occupied points outside the South Manchuria Railway zone and peace will be restored to Manchuria." He stated that Japan would not take Manchuria as a gift, that all she desired was respect for her treaty rights.

#### CHINA'S NEW GOVERNMENT

In Nanking the Cantonese faction of the Kuomintang (the Nationalist party) was enabled to set up a government when, on Dec. 15, General Chiang Kai-shek resigned as president of the State Council and left for his home at Fenghua, Chekiang. His resignation was phrased to suggest that his retirement was temporary. T. V. Soong, Minister of Finance and the real brains of the government, and Wellington Koo, Foreign Minister, also retired. Lin Sen was appointed president of the State Council, with lessened powers, while Sun Fo, son of Dr. Sun Yat-sen, as chairman of the Executive Yuan, became the real head of the government. The scintillating Eugene Chen became Foreign Minister. Wang Ching-wei, popular and trusted spiritual successor of Dr. Sun Yat-sen, postponed going to Nanking, but was expected to assume the presidency of the State Council later. At Peiping Chang Hsueh-liang resigned as Vice Commander-in-Chief and also as commander of the Chinese forces in Manchuria. General Tsang Shih-yi succeeded Yuan Chin-kai as Governor of Fengtien (Liaoning) Province under Japanese auspices.







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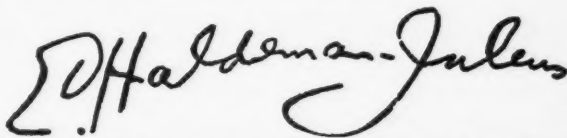
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# BOOKS OF THE MONTH

## Japan's Position in Manchuria

By ARTHUR N. HOLCOMBE

*Professor of Government, Harvard University*

*JAPAN'S SPECIAL POSITION IN MANCHURIA.* By C. Walter Young. Baltimore: Johns Hopkins Press, 1931. Pp. xxii, 412. \$3.

*THE INTERNATIONAL LEGAL STATUS OF THE KWANTUNG LEASED TERRITORY.* By C. Walter Young. Baltimore: Johns Hopkins Press, 1931. Pp. xvii, 249. \$2.25.

*JAPANESE JURISDICTION IN THE SOUTH MANCHURIA RAILWAY AREAS.* By C. Walter Young. Baltimore: Johns Hopkins Press, 1931. Pp. xxv, 332. \$3.

IT is a happy chance that these volumes should appear at this time, when the attention of the civilized world is concentrated upon Manchuria as the *locus* of the severest test to which the post-war machinery for the maintenance of peace between the nations has yet been exposed. Taken together, the three volumes form a treatise bearing the title *Japan's Jurisdiction and International Legal Position in Manchuria*. They constitute the most systematic, objective and instructive discussion of the legal aspects of the controversy between Japan and China over Manchuria which has been published in any language. There are, of course, other aspects of this controversy which are of no less importance, notably, the economic and political. With these other aspects Dr. Young is not primarily concerned. But a knowledge of the legal aspects of the controversy is indispensable for an understanding of the Manchurian problem, and for this purpose Dr. Young's volumes supersede all previous treatments of the subject.

The author's qualifications for writing such a treatise are exceptional. He has visited Manchuria five times within the last ten years, and has made himself thoroughly familiar with the geography and resources of the country as well as with the properties and activities of the Japanese there. His knowledge of the language of the country has made him less dependent upon interpreters and translators than is ordinarily the case with Western investigators in the Far East. The limitation of his plan—to study the law rather than the politics of Japan's position in Manchuria—enables him to formulate his conclusions with more precision and confidence than if he were attempting to pass judgment upon all aspects of the Manchurian problem. The result is not only a statement of what the law is under which the Japanese are operating or might operate in Manchuria, but also a clarification of the other issues underlying the present controversy between China and Japan.

The first volume deals with the Russian and Japanese spheres of railway interest, the Japanese attitude toward the railway projects of other powers, Japanese participation in the international consortiums, and independent Japanese loans and options concerning Manchuria.

The evidence presented makes it clear that Japan has long regarded Manchuria as a region in which it has special interests of a kind so vital to its well-being as to justify it in taking whatever steps might be necessary and proper to guarantee their security. It is also clear that the Western powers have not formally recognized any special right of intervention on the part of Japan in Manchuria. They appear, however, to have expressed as much sympathy with the Japanese point of view as was compatible with the maintenance of the formal sovereignty of China in Manchuria and of the "open door" for the commercial and financial operations of Western capitalists and business men as well as Japanese.

The precise nature and extent of the privileges legally enjoyed by Japan in the Kwantung leased territory and the South Manchuria railway area become, therefore, a matter of great importance. It is also a matter bristling with uncertainties and difficulties, partly because of the ambiguity of the language which has been employed in the various treaties and agreements concerning Manchuria between China and Japan, and partly because of the unwillingness of the Chinese to admit the validity of some of the treaties themselves. The situation has been further complicated by the divisions of opinion among the Japanese concerning the expediency of utilizing their rights, whatever they might be, to the full. The advocates of an aggressive, or so-called "positive," policy toward China have supported the broadest possible interpretation of Japanese rights in Manchuria, whereas their opponents in Japanese politics, the advocates of a "friendship" policy toward China, have been more disposed to accept a strict construction of their rights in Manchuria in the hope that better relations with China would be more profitable to Japan. The second and third volumes of this treatise are devoted to a discussion of the legal limits of Japanese authority in Manchuria and make clear to the reader how far apart are the strict and broad constructions of Japan's rights and how important in any particular situation must be the choice between a "positive" and a "friendship" policy.

These volumes also make it clear that the Manchurian problem can not be settled by any exclusive consideration of legal rights and privileges. It is evident that the Chinese, as long as they remain in their present state of mind, will insist that the Japanese are claiming rights under treaties which, to borrow the vague but significant expression employed in the covenant of the League of Nations, "have become inapplicable" and should be reconsidered with a view to their radical alteration or termination. It is also evident that the Japanese, as long as they deem the Chinese unlikely to maintain a government in Manchuria

*Continued on Page IX*



*Continued from Page IV*

capable of standing by itself under the strenuous conditions that prevail in that part of the world, will insist upon their rights under the existing treaties. Dr. Young's volumes demonstrate that the Manchurian problem presents no mere justiciable controversy, to be disposed of by any Hague Tribunal or World Court. It is the kind of controversy that nations fight about and furnishes an exacting test of the machinery for mediation and conciliation provided by the covenant of the League, and of the power of neutral opinion in which the authors of the Pact of Paris may be supposed to have put their faith.

Dr. Young wisely refrains from discussing proposed solutions of the problem of Manchuria. The discussion of solutions means the consideration of the political as well as the legal aspects of the problem, and in his opinion law and politics have already been too much confused in discussions of Manchurian matters. But the bases of a settlement seem to emerge from his discussion of its legal aspects. In the first place, the Chinese should recognize the validity of treaties, duly signed and ratified by their responsible statesmen, whether negotiated freely or accepted under duress. If treaties accepted under duress are *ipso facto* invalid, no peace treaty terminating a conclusive war would ever be valid. Secondly, the Japanese should recognize the desirability of modifying treaties which do not confer advantages upon

both parties, since in the long run the durability of international agreements, whether embodied in treaties or otherwise, depends upon the existence of a mutual interest in their preservation. Dr. Young does not argue these points, but they will not escape his readers. Doubtless it is too much to expect that a technical work of this kind will be read by the general public, but if editorial writers could be compelled to peruse its pages before pronouncing judgment upon Manchurian issues, public opinion would be a more effective instrument for preserving the peace in the Far East.

## Fighting Bob Evans

By ARTHUR R. BLESSING

Librarian, United States Naval War College

**FIGHTING BOB EVANS** By Edwin A. Falk. Foreword by Franklin D. Roosevelt. New York: Jonathan Cape and Harrison Smith, 1931. Pp. x, 495. \$5.

ONE cannot lay down this book without the feeling that here is a fascinating account of our navy, exemplified in the career of an officer of the highest type. "Fighting Bob" Evans seems to link up with the entire progress of the United States Navy—from his midshipman service on Old Ironsides to Commander-in-Chief of a modern fleet of dreadnoughts in 1905.

Robley D. Evans was born in 1846 of Southern parentage and lived in Virginia until a boy of 10. Although a landlubber, young Evans

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had a love for the sea and was fascinated even by the outlook from the Potomac River wharves. Brought up in Washington by an uncle, he came to have many acquaintances, among them a Congressman named Hooper from Utah. Hooper took a fancy to the lad and offered him an appointment to the Naval Academy if he would go to Utah and establish a residence there. The trip secured not only the appointment but taught the boy much about Indians, incidentally giving him his first baptism of enemy fighting, which resulted in a leg wound from a hostile arrow.

Evans was popular with his classmates and superior officers at the Naval Academy. While not rated as brilliant, he was diligent and used his brains to good advantage. In 1863 the midshipman was commissioned an acting ensign and late the following year was present at the investiture of Fort Fisher, which marked the end of the Civil War. Bob Evans distinguished himself at Fort Fisher, but unfortunately the wounds received there pained and troubled him for the rest of his life. The aftermath of these wounds produced both a peculiar gait and a resultant naval sobriquet of "Old Gimpy."

Evans in the usual sea and shore duties won deserved credit. He became, moreover, an expert in two widely divergent lines. He virtually reorganized the lighthouse service, which was in those days attached to the navy, a task which made him political enemies, although it brought efficiency and new morale to that service. His connection with it continued periodically until he was appointed Commander-in-Chief of the navy by President Roosevelt in 1905. Another of Evans's achievements was his study of and proficiency in the making of steel, particularly steel plates. This work not only was of an immediately practical nature but it helped to mold our modern steel ships from the keel up. Evans, in fact, symbolized the progress of the navy from the days of wooden sailing ships to the modern period of high-speed steel ships driven by electricity.

Naval officers must deal with all kinds of ticklish international situations and, as his biographer points out, Evans had his share. Probably the most famous was his encounter with Chilean authorities in the early '90s, which resulted in his receiving the nickname, "Fighting Bob." One of his assignments of an ambassadorial nature was to attend the Kiel Canal celebration in 1895. At that time Evans was captain of the U. S. S. New York. Here he learned much of the undercurrents of European diplomacy.

Admiral Evans was fortunate in having Theodore Roosevelt at the head of the nation. These two, besides being personal friends, saw eye to eye in regard to the need of an adequate and up-to-date navy. They not only collaborated in its physical development but they agreed on naval policy. As a fitting reward for a supremely useful life of service, Roosevelt chose Evans to take the fleet around the world. "Old Gimpy" went part of the way, but, worn out physically, he was compelled to relinquish command when the fleet reached San Francisco. The Golden Gate symbolized for him the end of a colorful naval career.

His biographer is so engrossed in his subject that at times he tends to hero worship, but this can be overlooked, for the life of Evans certainly resembles that of an Alger hero. Nevertheless, the life of Evans is always shown against the political and economic conditions of the times in a skillful manner that is one of the interesting features of this readable biography.

## History of Modern Culture

By V. F. CALVERTON

Editor, *The Modern Quarterly*

A CULTURAL HISTORY OF THE MODERN AGE: *The Crisis of the European Soul from the Black Death to the World War.* By Egon Friedell. Translated from the German by Charles Francis Atkinson. Vol. II. 467 pp. New York: Alfred A. Knopf, 1931.

ALTHOUGH the third volume of Friedell's *Cultural History of the Modern Age* is yet to appear, it can be said at once, on the basis of the first two, that few more ambitious projects have been undertaken by historians in our generation.

Approaching history in the manner of a poet, for it is Friedell's belief that the interpretation of history is a function of the poetic mind, his work is richer in intuitive insight than in rational analysis. In fact, the value of Friedell's whole work lies in its ability to vivify individualities and processes, converting them from dead forms and forces into dynamic figures and movements. More interested in the spirit of culture than in its specific dimensions, Friedell has attempted to recreate its color and artistic impulse rather than analyze its economic foundations and social directions. As a result, fascinating as are his excursions into the cultural past, fact is often sacrificed to fiction, and the fundamental is obscured frequently by the superficial.

Beginning in this second volume with the Thirty Years' War, "the longest and most senseless" of all wars, tracing the rise of the modern spirit which began "simultaneously with the Thirty Years' War," and then proceeding to an analysis of Dutch culture, which led the fashion at that time and which in the poetry of Vondel and in the painting of Frans Hals and Rembrandt dictated taste throughout the European world, the author surveys one country after another. It is the rise and fall of the spirit of the baroque and the rococo that fascinates him in all these aspects of civilization. In Spain, for instance, we find the development of the spirit of the baroque in the work of El Greco and not in that of Murillo. "the idol of the middle classes." With the coming of the eighteenth century the scene shifts to France, with Descartes and Richelieu as the outstanding figures, and then to England, Russia and Germany. From culture to culture, thus the author skips, everywhere stressing individuals rather than movements.

In the second book Friedell comes to closer grips with the rising modern spirit. His study of the Enlightenment and of the French Revolution is his most satisfactory accomplishment. The last part of the volume, devoted to the discovery of the classical and to the rise of the

French Empire after the Revolution, is rich in brilliant, but far from faithful, pen pictures of the life of the period. It is precisely this lack of fidelity to fact that makes Friedell's work fall short of real significance.

Why, despite such weaknesses, does this work deserve attention at all? In Friedell's words, "there are not only harmful truths, but also fruitful errors," and, paradoxical though it may seem, his study demands consideration, because it is full of so many "fruitful errors." There is not a chapter in the volume without its numerous generalizations that surprise and startle—and often inspire. This inspiration, it is true, is often born of that incandescent lucidity which is the peculiar product of the poetic mind. Suggestive as certain of such generalizations are bound to be, most of them betray the weakness of that type of mind rather than its strength. However fresh the style, however vivid the insights, such poor thinking is enough to disqualify the study as a cultural history, although it remains to the very end an exciting fiction on the subject of modern cultural development.

## Lord Rosebery

By LOUISE MAUNSELL FIELD

**LORD ROSEBERY.** By the Marquess of Crewe, K. G. New York: Harper & Brothers, 1931. Pp. 592. \$5.

**T**HREE points particularly impress the reader of the Marquess of Crewe's very gentlemanly biography of his father-in-law, Lord Rosebery—first, the many times Rosebery proved himself in advance of his period; secondly, the enormous difference between that period and our own; third, that although he married a great heiress, won the Derby and became Prime Minister of Great Britain, his biographer declares that it would be untrue to call his "a very happy life." Noted orator though he was, he was seldom if ever pleased with his own speeches; shy and intensely sensitive, he was too easily hurt for the rough and tumble of public life. "The secret of my life," he himself wrote, "is that I always detested politics." His strong conscientiousness compelled him to do what he regarded as his duty, but he reaped small reward. Foreign Secretary, and then Prime Minister, he nevertheless "never enjoyed an instant in power," perhaps because real power never was his. Even when he attained the highest post in the realm, he was bound and hampered by his inheritance of Gladstone's policies. A member of the House of Lords, he needed more loyal support than he believed himself to receive from Sir William Vernon Harcourt; Gladstone's successor, he was forced to bear the greater part of the brunt of the inevitable revolt from the "G. O. M.'s" long rule. He saw the swift disintegration of the Liberal Party, while the measure nearest his heart—the reform of the House of Lords without destruction of its power—he was never able to achieve.

In many ways Rosebery represented British aristocracy at its best, especially in his acknowledgment of a social responsibility which

*Continued on Page XII*



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was shown particularly by his arduous work on the London County Council—governing body of one of the world's great metropolitan areas—where he accomplished so much that was eminently worth while. To Americans, one of the most interesting parts of the book is the description of Rosebery's visits to the United States, and his sympathetic comments on what he found here. Years later he wrote to Chauncey Depew, one of his American friends: "If the war makes our two nations brothers in fact and sympathy for all time to come, it will almost be worth what it has cost. \* \* \* But I am appalled at the thoughts of the peace conference." Closely affiliated with Mr. Gladstone though he was, he was not entirely in sympathy with his chief's Irish policy, and grew less so as time passed, but their relations were to the end not merely amicable but affectionate. Sometimes the reader wonders at Rosebery's good temper, conscious as he was of the not very fair treatment to which he was subjected.

Born in 1847 and living until 1929, Lord Rosebery was for the greater part of his life in close touch with public affairs. His biography, which is devoted almost exclusively to his political career and says little about his private life, is to some extent a history of the United Kingdom, from the latter years of Victoria's reign until the World War. It has been written carefully, conscientiously, temperately. Rosebery was far from being a blind partisan, and he had many friends among those who did not think as he did. His own letters, the notes he occasionally jotted down, and the journals he sometimes kept, have been largely, though always discreetly used. A couple of special chapters are devoted to his racing interests, others to his travels and to his writings. Especially striking is his own description, given in an appendix, of two visits paid to Prince Bismarck who was then in retirement. Ironical and intensely religious, politician and man of letters, sportsman and orator, Liberal, imperialist and aristocrat, plunged deep in "the evil-smelling bog of politics," while remaining a man of strictest integrity, Lord Rosebery was an enigma to his own time, and proves a most interesting study to ours.

## A History of the United States

By HAROLD UNDERWOOD FAULKNER  
 Professor of History, Smith College

A HISTORY OF THE UNITED STATES SINCE THE CIVIL WAR. Vol. IV: 1878-1888. By Ellis Paxson Oberholtzer. New York: The Macmillan Company, 1931. Pp. XI, 743. \$5.25.

AS Dr. Oberholtzer's work approaches a conclusion it becomes evident that we are dealing with a major contribution to American history. This is so, not because he has advanced any new or radical interpretation or has even made any real effort to interpret his facts but simply because he has patiently worked over a mass of source material covering a relatively few years and presented his



synthesis in an interesting and accurate fashion. In four large volumes the author has now covered the twenty-three years from 1865 to 1888. It is true that one of our most important historians, the late James Ford Rhodes, has covered the same period in approximately three volumes, but Rhodes's story is almost entirely political, a fact which greatly limits the usefulness of his great work. It is obvious even to the most casual student that the most important aspects of these years are the tremendous social and economic changes which were transforming the nation. Dr. Oberholtzer is a product of the McMaster school, and does not allow himself to stray far from the social and economic phases. Four of the eight chapters of the fourth volume are specifically devoted to such topics.

Oberholtzer's history, in fact, seems closely modeled after the work done by McMaster for the period before the Civil War. His style and his method of presentation, his dependence on government publications, weekly magazines and the daily press for the great mass of his source material are all in the McMaster tradition. His interest in social and economic history has led him into an apportionment of space which even some social historians might question. One chapter of approximately 100 pages, comprising one-seventh of the book, is devoted to the subject of the Chinese. Whether or not one believes that the Chinese question was of sufficient importance to warrant such intensive treatment, there is no doubt that this chapter is as complete and accurate a summary of the problem as it affected Americans of that day as has yet been written, and withal is fair and accurate. Due recognition should also be accorded to the chapter on "The New South" during the decade 1878-88, a chapter which discusses some aspects not yet developed by historians. Of particular interest is the study of the negro exodus to the North during the decade of the '80s.

That half of the book which deals with political history is done in straightforward, workmanlike fashion, but is quite conventional in its findings and interpretation. More detailed on certain aspects than Rhodes, the story differs in no important essentials from that of the earlier scholar, and indeed, the picture which he paints is practically the same as that to be found in the briefer manuals of Lingley, Paxson and Shippee. In one respect this volume differs from others covering this period, and in fact from a great deal of historical writing. To the author, personalities and events usually appear in black and white, with very little shading. Greenbackers and free silver men are to the author only "demagogues," "conspirators," "ignorant men," "cranks who infest the borderland of this branch of knowledge [economics]." The anarchists who were arrested after the Haymarket tragedy were "wretches" who "met their not unmerited end on the scaffold." There is no sympathy for, and but little understanding of, those opinions and movements not in line with the author's viewpoint. Likewise, no great effort is made to give a

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rounded portrait of personalities which he dislikes.

It is refreshing to pick up a history in which there is no "pussyfooting," and in which the author lays right and left with good sturdy blows. Such writing, however, is symptomatic of bias, a major sin in the writing of history. The style is nervous and forceful and achieves a considerable vividness by frequent quotations from contemporary documents. In spite of the fact that nothing radically new has been developed either in interpretation or in the findings, students of American history will be grateful for this careful synthesis of a field which has but recently attracted the attention of historians.

### BRIEF BOOK REVIEWS

**THE EARLY FAR WEST.** By W. J. Ghent. New York: Longmans, Green & Co., 1931. \$3.50.

This account of the North American West from 1540 to 1850 is written with an attractive, quiet authority. Mr. Ghent has evolved an unobtrusive technique whereby he tells his story, provides the reader with means for investigating it in greater detail and calls to his aid the latest scholarship concerning controversial matters. The narrative is pitched in a lower key than most books on the West, but it wins approval by its very careful proportions and emphasis. One quarter of its space is given to the spectacular if ephemeral pioneer explorations before the Louisiana Purchase, and the remainder to the bursts of expansive energy which made the West known, carried it to the Pacific, and opened it for effective occupation. Mr. Ghent, however, follows his predecessors by almost ignoring what happened north of the Canadian boundary. No picture of North American exploration can be considered adequate which does not deal with the revolutionary effects of European entry from Hudson Bay and with the rivalry between the Hudson's Bay Company and the North West Company which had its notable repercussions within the present limits of the United States.

**NATIONALISM IN MODERN FINLAND.** By John H. Wuorinen. New York: Columbia University Press, 1931. \$3.75.

This history of nationalism in Finland discloses that in certain circumstances the governing of one nation by another can be satisfactory to the ruled. Until the six centuries of Swedish rule of Finland were ended in 1809 by Russian conquest, the land of the *Kalevala* and Sibelius showed no desire for independence. But in the nineteenth century encroachments of Russian autocracy stimulated one of the keenest of modern national struggles, the course of which, until the final triumph in 1917, is carefully traced by Dr. Wuorinen. As so often, national language and culture were the rallying standards for political demands. Although the Russian tongue was never introduced successfully, the Finnish language movement was complicated by the fact that about

one-eighth of the population has always spoken only Swedish. Language, however, is the only line of racial demarcation in the new Finland, for the Swede-Finns are otherwise indistinguishable from the purely Finnish stock. Although the Finnish Constitution guarantees bilingual rights, this gives rise to no conflict "in the personal contacts of the average man."

**GEORGE WASHINGTON: REPUBLICAN ARISTOCRAT.**  
By Bernard Fay. Boston: Houghton Mifflin Company, 1931 \$4.

The French are revealing an uncanny penetration of the early days of the American social scene. To M. Michaud's entertaining life of Emerson and M. Fay's significant life of Franklin is now added a French view of Washington. It was courageous to present to Americans such familiar material, but the interest of the Gallic estimate is its own justification. M. Fay finds Washington an intellectually limited man whose great gifts were assisted by that limitation; a man neither Puritan nor libertine, half aristocrat, half bourgeois; a silent, not very happy man of repressed emotions; a most able organizer and leader who dreaded the cares of the leadership which came to him, and who was half puzzled, half shrewd about the paradox between democratic dogma and the needs of central rule. In M. Fay's fluent, witty pages, Washington lives intimately, truly and attractively.

**THE CORRESPONDENCE OF JEFFERSON AND DU PONT DE NEMOURS.** With an Introduction on Jefferson and the Physiocrats by Gilbert Chinard. Baltimore: The Johns Hopkins Press, 1931. Pp. cxxiii, 293. \$7.50.

With the publication of this correspondence still further material bearing upon the relation between Thomas Jefferson and eighteenth century political thought is made available to historians. After examining the influence of the Physiocrats upon Jefferson, Professor Chinard in his introduction gives a brief summary of the life of du Pont de Nemours, following it with an illuminating discussion of the latter's efforts in connection with the completion of the Louisiana Purchase and his theories concerning agriculture, democracy, militarism and national education. The letters themselves extend from the period of Jefferson's visit to France in 1787 to the time of du Pont's death in America in 1817.

## RECENT IMPORTANT BOOKS

By JAMES THAYER GEROULD  
BIOGRAPHY

**James A. Garfield, Party Chieftain.** By Robert Glanville Caldwell. New York: Dodd, Mead & Company, 1931. \$5. This record of Garfield's career, covering as it did the Civil War and the period of reconstruction and culminating in his Presidency, is an important contribution to the political history of the time.

**Memoirs of a Diplomat.** By Constantin Dumba. Boston: Little, Brown & Company, 1931. \$4. Although Dr. Dumba's account of his service as Ambassador of the Austro-Hungarian Empire at Washington during the war

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**Far Back in the Times of  
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We Find the Origin of**

## PECUNIARY

In the early days of civilization, before money was created, a man's wealth was reckoned in flocks and herds. The Latin word *pecus* meant "cattle," and from that word came *pecunia* meaning "property in cattle." As civilization advanced and a man's wealth was represented by things other than cattle, the same word was used to designate his property. Then, when money came into being and was adopted as the measurement of wealth, the word *pecunia* took on the new meaning "money." Derived from this was the adjective *pecuniarius*, "relating to or consisting of money," from which we have our word *pecuniary*, with the same meaning. Thus have the words in our language passed through a remarkable process of evolution that is recorded in thousands of fascinating stories in

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*Continued from Page XV*

gives the book its immediate interest, his story of diplomatic life in other capitals is very well worth reading.

*Clarence Darrow.* By Charles Yale Harrison. New York: Jonathan Cape & Harrison Smith, 1931. \$4. A fearless defender of rights that are in danger of becoming extinguished, Mr. Darrow has had a career of distinguished service, of which this biography is a record.

## ECONOMICS

*Unemployment as a World Problem.* Lectures on the Harris Foundation, 1931. By John Maynard Keynes and others. Edited by Quincy Wright. Chicago: University of Chicago Press, 1931. \$3. The other lectures were by Karl Pribram of the University of Frankfurt and by E. J. Phelan of the International Labor Office at Geneva. All discuss the economic causes of unemployment and the measures which have been suggested for its relief and prevention.

*The Stabilization of Employment in Philadelphia Through the Long Range Planning of Municipal Improvements.* By William Neyell Loucks. Philadelphia: University of Pennsylvania Press, 1931. \$3.50. An elaborate plan which is only partially in operation.

*Strike Injunctions in the New South.* By Duane McCracken. Chapel Hill: University of North Carolina Press, 1931. \$3. The economic effects of labor injunctions. A study of specific cases.

*New Roads to Prosperity: The Crisis and Some Ways Out.* By Paul M. Mazur. New York: Viking Press, 1931. \$2. An examination of some of the reasons for the dislocation of our economic and financial system, and of the projects for its rehabilitation. Discusses the National Economic Council, banking reform, consumer financing and the five-day week.

*Unemployment Benefits and Insurance.* By the National Industrial Conference Board. New York: National Industrial Conference Board, 1931. \$2. The essential facts regarding existing plans of unemployment benefits and insurance abroad and at home, with an attempt to establish a sound policy as to private and governmental projects for the relief of the unemployed.

*The Federal Reserve System and the Control of Credit.* By Walter E. Spahr. New York: The Macmillan Company, 1931. \$1.75. An explanation of the principles and practice of credit control, presented in a form adapted to the general reader.

## HISTORY

*War and Diplomacy in the French Republic.* By Frederick L. Schuman. New York: Whitteley House, 1931. \$4. A review of French foreign policy since 1870 and the mechanism by which its ends are accomplished. A scholarly and readable book.

## POLITICAL SCIENCE

*Criminal Justice in England: A Study in Law Administration.* By Pendleton Howard. New York: The Macmillan Company, 1931. \$3. A descriptive account of the administration of the British criminal courts, with comparisons between English and American practice.

*The Making of Citizens.* By Charles E. Merriam. Chicago: University of Chicago Press, 1931. \$3. The methods employed in various countries in the training for citizenship.

*Can Europe Keep the Peace?* By Frank H. Simonds. New York: Harper & Brothers, 1931. \$3.50. A pessimistic picture of the present state of Europe. While some of its conclusions may be challenged, it is a book that deserves thoughtful reading.

*Financial Conditions and Operations of the National Government, 1921-1930.* Washington: Brookings Institute, 1931. \$3. A clear and exceedingly valuable analysis of the revenue and expenditures of the Federal Government since the adoption of the budget system.

## SOCIOLOGY

*Paying Your Sickness Bills.* By Michael Marks Davis. Chicago: University of Chicago Press, 1931. \$2.50. The costs of medical and hospital service, which have recently been under vigorous discussion, are clearly analyzed, together with the proposed schemes for insuring against them.

*Preventive Management: Mental Hygiene in Industry.* Edited by Henry Byron Elkind. New York: Forbes Publishing Company, 1931. \$3. Eight experts discuss the practical application of the principles of mental hygiene in increasing the efficiency of industrial plants.

*Successful Living in This Machine Age.* By Edward A. Filene and Charles W. Wood. New York: Simon & Schuster, 1931. \$2.50. A forthright defense of mass production and standardized living, contending, however, that we need more intelligent organization if we are to avoid its recognized evils.

*The Indian Peasant Uprooted: A Study of the Human Machine.* New York: Longmans, Green & Company, 1931. \$3.50. The effect of the penetration of Western civilization in India on the working classes. The material for the book is taken largely from the report of the Royal Commission on Labor in India.

## MISCELLANEOUS

*A History of the Movies.* By Benjamin Hampton. New York: Covici, Friede, 1931. \$5. The rise and progress of a great industry, which in a few years has permeated almost the whole earth with its product.

*Handbook of Business Administration.* Edited by W. J. Donald. New York: McGraw-Hill Book Company, 1931. \$7. A mine of information regarding marketing and management, prepared for and published by the American Management Association.

*More They Told Barron.* Edited by Arthur Pound and Samuel Taylor Moore. New York: Harper & Brothers, 1931. \$5. Further extracts from the notebooks of the well known Wall Street editor, of great significance as revealing the state of mind of our leading financiers and phases of the inside history of some of our great corporations.

*Applied Personnel Administration.* By J. E. Walters. New York: John Wiley & Sons, 1931. \$3. An up-to-date handbook of the theory and practice of personnel administration.

## CORRECTION

The statement on page 542 of January CURRENT HISTORY, in Sidney Webb's article, "British Labor's Reaction to Defeat," that "no fewer than 1,000,000 voted for socialism against some 16,000,000 for the anti-Socialist union" should have read "no fewer than 7,000,000 voted for socialism," &c.



